ASX Market Information
Dilution Factor Product Guide

The definitive reference data service, direct from the source

ASX Market Information

Information Solutions from the Source

Disclaimer

ASX Ltd
ABN 98 008 624 691

20 Bridge Street, Sydney NSW 2000
PO Box H224
Australia Square NSW 1215

Telephone: +61 (02) 9227 0000
Facsimile: +61 (02) 9227 0859
Email: InfoandTechServices@asx.com.au

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Background

The objective of diluting per share series data [e.g. Price, Earnings Per Share (EPS), Net Tangible Assets Per share (NTA), Dividend Per Share (DPS) and others…] is to adjust the historical data such that it is comparable with current data. A "per share" statistic at one financial reporting period end date may only be correct at that point in time and when viewed from a different capital structure may present a misleading statistic.

Notwithstanding the popularity of corporate actions, these do not in general create new wealth for shareholders in the form of increased capital value beyond any capital raising which is included in the action. Hence, the value of the total securities after completion of the corporate action will be the value of the total securities before the action plus the value of capital raised.

Company Corporate Actions – Basis of Dilution Factors

What is a corporate action?

A corporate action can be thought of as a package containing two types of information. It contains general information about a company announcement (mostly dates), and it contains one or more settlement adjustments to be made as a result of the announcement.

New issues of securities are often too complex to send as a single set of records. In a number of cases, multiple corporate actions are sent for the announcement of a new issue of shares. These multiple corporate actions are sent together as a package, composed of a primary corporate action(s) and a secondary corporate action(s).

The set of records in a corporate action provide the basis for the calculation of a dilution factor, sometimes referred to as an adjustment factor.

Applications or Uses of Dilution Factors

Applications of dilution factors can be classified into two main categories:

- Retrospective
  and
- Forward Looking

Retrospective applications of dilution factors deal with adjustment of historical data while forward looking application aims to estimate a theoretical base or start of day data value, i.e. theoretical price of a quoted stock on the ex-date of the corporate action event.

Following are the details of the different uses.

Retrospective Applications

- To adjust historical financial per share data such that it is comparable with current data. The reason for making these adjustments is because a “per share” statistic at a specific point in time will only be correct at that point and when viewed at a later time where there has been a change in the capital structure will present misleading statistics.

  A series of “per share” statistics needs to be adjusted to provide a consistent time series from which meaningful conclusions can be drawn about growth rates, trends and other analytical data. Historical values are not comparable with current values where there has been an intervening pro-rata issue, whether cash or bonus, to existing shareholders. Most common application is in the stock market price chart.

  The calculated theoretical dilution factor resulting from the corporate action is applied retrospectively to adjust all historical per share values to make them comparable with ex-issue (after the issue) values.

- To adjust the resultant effects on calculated investment returns over any time period to shareholder other than by a change in the price of a security in the normal course of events (i.e. effects resulting from domestic and international economic events). The key requirement in the calculation of a dilution factor is that all shareholders receive the benefit.

- Dilution factors may also be applied to derivative securities of impacted equity security. This is to ensure, as much as possible, that buyers and sellers are neither better nor worse off as a result of a corporate action. For example, if the impacted security is an underlying to a derivative security, the value of the derivative holder’s positions both before and after the corporate event should remain on par - exclusive that of market movement.

Forward-Looking Application

- Others may also use a dilution factor resulting from a corporate action to derive the theoretical start of next trading day’s (the effective date) market price of an ordinary share in a company. An example of user who may use this type of application is an Index provider like S&P.

Effects of Corporate Actions

Market Reaction

Dilution factors are essentially a mathematical calculation from corporate action information provided in the company announcement. Hence, these are referred to as theoretical values.

Market revaluation on ordinary shares can occur to take into account the corporate action that has occurred. Whilst the market reaction is generally close to the theoretical adjustment effected through dilution factors, differences can occur due to:

- Overnight price movements in the underlying shares as impacted by events, such as economic factors both local and overseas, that have an impact to the market in general.

- The market taking a more favourable or less favourable view of the corporate action than the strictly mathematical adjustments (e.g. in a spin-off, future earnings prospect of the company without the entity spun-off).

- In cases of shares offered to be taken up, over subscription or short fall in the take-up of the number of shares offered/to be issued.

  Some issues underwriting agreement may contain a provision that gives the underwriter the right to sell investors more shares than originally planned by the issuer. This would normally be done if the demand for a security issue proves higher than expected. This is known as Greenshoe Option and legally referred to as an over-allotment option. A Greenshoe Option can provide additional price stability to a security issue because the underwriter has the ability to increase supply and smooth out price fluctuations if demand surges.

ASX Market Information (ASXMI) Dilution Factor Product Guide

Retrospective Application

ASXMI's dilution factor product is being provided as a tool for the purpose of adjusting historical data.

Type of Shares where Dilution Factor is applied

The current ASXMI approach to the calculation of dilution factors **only takes Fully Paid Ordinary (FPO) shares and the new security being issued into account**. It does not take into account the dilutive effect on the price of secondary securities like partly paid ordinary shares, convertible shares, company options and others.

Samples of secondary securities:

- Non-convertible preference shares are a debt security and are not taken into consideration for the purpose of calculating dilution factors.

- Convertible securities provide one of the most complicated forms of secondary securities for the purposes of dilution factors because of the potential for complexity in terms of the securities' terms of conversions.

  An example of the complex form of evaluating a secondary security is the convertible note. Convertibles are generally offered at an interest rate which is higher than dividend yield on the corresponding shares and thus may trade at a premium to the shares.

- A market price for a secondary security is clearly only available where the security is quoted (listed). Unquoted securities need to have a theoretical price calculated to use any formula. Unquoted securities in Australia tend to fall into two categories:

  a) Vendor securities for which there are matching quoted securities – in this case, the price of the quoted security can be used, and

  b) Securities resulting from employee share plans. Employee share plans and employee option schemes have been ignored for the purposes of calculating dilution factors. ASX's collection of data, including any hurdles that apply to option schemes is not adequate for valuations to be carried out.

Corporate Actions for which ASXMI calculates a Dilution Factor

The following are the corporate action events for which ASXMI calculates a dilution factor:

1. Attaching Company Options – offered as a secondary corporate action to another corporate action (Bonus, Entitlements and Rights) which is deemed as the primary event.

   Only company options with "in the money" exercise price are taken into consideration.

2. Bonus Issues

3. Capital Return/Premium Return

4. Capital Reconstructions – Consolidations and Splits

5. Entitlement (Non-Renounceable) Issues

6. Rights (Renounceable) Issue

7. Non traditional Entitlements & Rights Issues (JUMBO, RAPIDS, AREO, SAREO, PAITREO)

8. Special Dividends / Distributions / Distributions in Specie – must pass the calculation threshold requirement (refer to Appendix C)

9. Spin-Offs

Corporate Actions for which ASXMI does not calculate a Dilution Factor

ASXMI does not calculate a dilution factor for the following corporate actions:

1. Calls of Unpaid Capital on Partly Paid Shares
2. Equal-Access Buy-Backs
3. Back Door Listing associated/linked corporate actions (i.e. Share Consolidation)
4. Special Dividends / Distributions / Distributions in Specie – those that do not pass the calculation threshold requirement (refer to Appendix C)

Calls of Unpaid Capital on Partly Paid Shares

Where a listed company has only a partly paid or contributing shares issued quoted in the ASX, a dilution factor is currently not calculated (hence, values are not provided in the ASXMI dilution factor product) for both the partial call and a final call payment of the unpaid component of the capital because of ASX systems limitation.

The system limitation relates to separate treatment of the partly paid share and the fully paid share in the ASX system. The separate treatment involves a separate database security set up for the partially paid security and the fully paid security. Because of this separate treatment, no link can be made in the historical data of the partly paid shares once it has become fully paid. Hence, calculation of a dilution factor for both a partial call and a final call payment (on the partly paid shares made for it to become fully paid shares) does not have a function in the ASX usage.

For this type of corporate action, an “adjustment” factor is the more appropriate terminology since the factor is used to compare the historical price of a security when a portion of its capital/premium was still unpaid against the price of the security when the unpaid portion has been paid.

Equal Access Buy-Backs

Below are the two forms of buy-backs and the reasons dilution factors are not calculated for these events.

- Equal access buy-back – the offer usually has some form of enhancement and each shareholder is made an offer for a proportion of his holdings.

  Some forms of Off-Market Equal Access Buy-Backs do meet the criteria for dilution factors calculations by buying back shares and cancelling them at a premium to market price. In effect, it creates an exit of company value to existing shareholders that is not shared by future shareholders. From history, some of the falls in share price were quite marked after the conclusion of a buy-back.

  It can be very hard to quantify the value of the off-market buy-back at the point of entitlement. It could typically be dealt with on a case by case basis with due reference to both the attributes (i.e. franking credits entitlements) of the security under buy-back as well as the specific terms & conditions attached to the buy-back event. As such, it is not possible to have a fixed/standard methodology that can be applied to calculate the adjustment.

- General buy-backs – the company has approval to repurchase a stated number of shares on market over a nominated period of time. From history, most of the buy-backs were on-market.

  The exact date when the event is going to take place occur over a period of time and not just a single day occurrence. It could be over a number of days until the number of shares allocated for the share buy-back has been reached. This fact precludes this event from having a dilution factor calculated.

Back Door Listing associated/linked Corporate Actions

Back door listing is generally described as an activity whereby an existing listed company is used as the shell[1] for a new company to assume a listed status in the ASX. It is also described as a Reverse Takeover or Reverse IPO. It is a cost effective way to go public whereby the private company avoids the higher financial requirements and often lengthy process associated with an Initial Public Offering (IPO).

This activity is usually characterised by all or a combination of any of the following:

[1] A shell entity is one with only an organisational structure and little or no activity.

- The company issuing the corporate action has been suspended for a long period of time, like for a number of weeks or months or even years.
- The ratio of the issue is usually large i.e. a consolidation of 30 shares to 1 share, a consolidation of 100 shares to 1 share
- The corporate action is usually followed by a significant or large capital raisings whereby a significant change in the majority shareholdings of the company occurs.
- A significant change in the principal business activity of the company from its existing business.
- A significant change in the composition of the board and key personnel.

When a corporate action (i.e. Share Consolidation) is implemented in conjunction/or linked with a back door listing, the core foundation of presenting a continuous historical time series for the same corporate entity no longer exists. The corporate entity before and after the "back door" listing are significantly, if not entirely, different from each other.

The consolidation capital event implemented in conjunction with a back door listing is still flagged as an event in the ASX Market Information dilution factor product and serves as an indicator of the transition of the old entity's history to the new entity. It will carry a placeholder factor of "1" within the Dilution Factor file. Refer to ASX Research & Analytics Products Bulletin 0106 dated 29 August 2006 advice to ASXMI Dilution Factors subscribers.

Example:

Listed Company A is an exploration company and will shift its principal business to become a technology company. A share consolidation of 80 shares to 1 will be implemented immediately followed by a huge private placement of shares.

Corporate Actions that do not result in the calculation of a Dilution Factor

The following are the events that can be considered as corporate actions but do not result in the calculation of a dilution factor. Hence, values are not provided in the ASXMI dilution factor product.

- Non-Pro Rata (Priority) Issues
- Placements
- Grant of Employee Shares, Options
- Declaration of an Ordinary Dividend/Distribution
- Consolidation event used to process entities admitted to ASX's Official List
- Share Purchase Plan (SPP)

Below are the details of the events:

1. Non-Pro Rata (Priority) Issues

A Non Pro-Rata Issue is when the new shares to be issued by a company are offered for subscription to both the existing shareholders and the general public. The event is characterised by the following:

- Existing shareholders have no priority to the general public to subscribe to the new shares.
- There is no fixed ratio to the entitlement.

Formula:

Due to the nature of the corporate action where there is no fixed ratio to the entitlement, it is not possible to assign a formula for the purpose of calculating a dilution factor. Hence, this type of corporate action is assigned a dilution factor of 1.0000.

2. Placements

Placements are another form of raising capital via direct allotment of shares from the company to a limited number of significant and/or predominantly institutional investors. The difference between a rights issue and a placement lies in the fact that existing shareholders are entitled to rights issues based on the number of shares held, whilst placements are made to a third party.

There is no doubt that a placement has the greatest potential to dilute shareholdings, but they do not give rise to a dilution factor on the grounds that the benefit is not received by all shareholders and thus does not contribute to the overall investment return.

3. Grant of Employee Shares, Options (i.e. Executive Option Scheme, Employee Option Scheme

These events do not give rise to a dilution factor because the benefit is not received by all shareholders and thus do not contribute to the overall investment return.

4. Declaration of an Ordinary Dividend/Distribution

These are recurrent events and are considered to be part of the ordinary course of business.

5. Consolidation event used to process entities admitted to ASX's Official List

These are events where additional entities are admitted to the Official List of ASX and stapled to an existing listed entity or listed stapled group. The corporate action ratio utilised are typically a 1 for 1 consolidation. This effectively has a dilution factor value of 1.0000.

6. Share Purchase Plan (SPP)

Share Purchase Plans are offers of securities to existing shareholders for a set dollar value, not in proportion to the number of the shareholder's holdings. There being no fixed ratio to the entitlement, a dilution factor cannot be calculated.

Instances When No Dilution Can Occur

The following corporate actions may not attract an adjustment factor (i.e. Dilution Factor Value = 1.0000 or no effect):

1. An issue of options to be exercised at a distant future and the exercise price is out of the money.

   The calculated theoretical dilution factor value of 1 is assigned for issue of option type of shares that are to be exercised at a distant future and where the option exercise price is much higher than the current market price of the underlying shares.

   Example:

Underlying Security's Current Market Price	2 cents
Option Security Issue Exercise Price in 5 years' time	10 cents

2. Entitlement on issue of shares in another company whose value cannot be ascertained.

   Example:

   Entitlement to share B for holders of share A where share B is an unlisted security and no published value/valuation is available for share B. In this case, there is no basis for which a value for share B can be derived.

3. Corporate Actions where investors are asked to pay more for the newly issued shares than the current market value of existing shares (out of the money).

   From time to time, a corporate action may add theoretical value to the ordinary shares of a company through the investors being asked to pay more for the issue of new shares in order to participate in the issue. This type of event is ascribed with a no dilution effect issue with value = 1.0000.

4. Renounceable & Non-Renounceable Issues of Company Option offered to option holders only

   The corporate action being offered only to holders of "secondary" securities and deemed remotely to impact the primary fully paid ordinary security.

5. Non-renounceable issue of Preference Shares

   Calculation of dilution factor for issue of this type of security takes into consideration the attributes (terms attached to the security i.e. level of ordinary shares dilution in the event of an automatic conversion) and terms and conditions of the issue. The difficulty in ascribing a value to this type of security due to the complex terms and conditions attached to the conversion to ordinary shares feature renders a calculation of a theoretical dilution factor using standard methodologies not possible.

Post (After) Event Dilution Factor Calculations

Non-take up from a major shareholder or a Short fall on offered shares

Dilution factors are calculated based on the assumption of a full take-up of the number of shares offered/to be issued. That basis is on the notional numbers as provided by the issuer and not based on prediction of likely percentage take-up of issues offered.

In the event that a major shareholder decide not to take up its rights to an issue or there were short falls in public take up of offered shares, <u>no re-adjustments or recalculations</u> are made to the original dilution factor to take into account the post event information.

The event has taken place and cannot be replayed or back-tracked.

Post event calculations based on 5 days Volume Weighted Average Price (VWAP)

There are times where it is not possible to calculate the theoretical dilution factor before the event's ex-date. On these instances, the dilution factor value entry in the file is denoted with TBA (to be advised) and a theoretical dilution factor value will be provided after the ex-date. Calculation will be based on the post event 5 days Volume Weighted Average Price (VWAP) over the security's last traded price before the corporate action event ex-date.

The post or after event theoretical dilution factor values are provided to give ASX Market Information's dilution factor product users the option of linking their own historical data series for the same corporate entity before and after the relevant corporate action events.

Further on these occasions, dilution factor product users are advised, via comment/note contained within the dilution factor file, of the post event calculation based on the 5 days VWAP. For samples on the comment data field content, refer to the Dilution Factor File Format section.

Below are samples of these instances:

1. Capital event shareholder approval not obtained before the ex-date.

   ASXMI only calculates the adjustment factor based on confirmed events. Such confirmations, like shareholder approval of the proposed corporate action event, are advised via company announcements and other publicly available documents.

   It is an extremely rare occurrence that a shareholder approval has not been obtained before the corporate action ex-date and the event went ahead as per announced effective date. There has been an instance in the past that this happened.

2. ASX Market Information's (ASXMI) set of standard methodologies could not be applied.

   These are instances where values of variable components used in the formula to calculate the theoretical dilution factor will result in values that are not meaningful and therefore cannot be used.

   An example is for a capital return corporate action where the last traded price of the relevant stock/share is lower than the $ amount of the capital to be returned. The resulting dilution factor value in this case is negative (-). Any value from 0 and below is not meaningful and therefore cannot be used.

3. No publicly available information on value of one or more variables used in the calculation of the dilution factor.

   ASXMI only uses values of variables used in the dilution factors formula that are available from documents that are publicly available (i.e. company announcements). ASXMI does not derive/calculate/estimate/forecast values of these variables.

   Example:

   Calculation of a dilution factor for an in-specie distribution of shares in another entity corporate action requires the per share value of the entity to be distributed. ASXMI will only use the information on the per share value provided by the company. If it is not available, the adjustment factor cannot be calculated before the event's ex-date.

Treatment of Company Option Offers/Issues

Company Option security type in this section refers to the share issued by a company. These types of securities give shareholders the opportunity to buy new shares at a fixed price on or before a pre-determined date. The following are the types of company option shares offers/issues:

- Bonus issue of company option shares
- Right to subscribe to company option shares
- Free attaching company option shares issue

A grant of company options presents an additional dimension to the calculation of the dilution factor given that these securities are a different class of security for which the dilution factor is applied to. The potential for these securities to be exercised and become fully paid ordinary shares and thus dilute existing fully paid ordinary share class of security may exist where the exercise price is lower/cheaper when compared to the last traded price of the underlying security before the ex-date. To take this dimension into account, the following provides the guidelines on the terms to be considered:

- In the Money

  Company Option Exercise Price/Company Option Exercise Price + Issue Application Money is less (<) than the last traded price of the underlying security before the ex-date, the relevant company option issue dilution factor formula is to be applied.

- Out of the Money

  Company Option Exercise Price/Company Option Exercise Price + Issue Application Money is greater (>) than the last traded price of the underlying security before the ex-date, a nominal value of 1.0000 (no effect) is assigned.

Dilution Factor Treatment for Corporate Actions Cancelled after the Ex-Date

There have been instances in the past, though rare, that a corporate action is cancelled by the event issuer after the ex-date. In these circumstances, the following actions are followed:

- Calculated dilution factors are also cancelled and the records are removed from the ASX system.
- Corresponding cancellation announcement is also issued in the ASX dilution factor file provided on the business date that the cancellation was made.

Dilution Factor File format

Dilution Factor file format in CSV and file name convention

df**mmdd.csv**

where:
mm represents the month in the year
dd represents the day in the month

Example:

df0804.csv this is the file for August 4

ASX Market Information					
Daily Dilution Report					
Ex-Date	**ASX Code**	**Short Name**	**Reason**	**Dilution Factor**	**Comment**
1-Jun-05	MND	Monadel	1:4 share split	0.25	
1-Jun-05	PDR	Port Doug	10c capital return	0.2	
dd-Mmm-yy	XXX	Xxxxxxxxxx	Xxxxxx xxxxxx		To be advised – 5 day VWAP to be provided; [other comments]
dd-Mmm-yy	XXX	Xxxxxxxxxx	Xxxxxx xxxxxx	x.xxxx	5 day VWAP from dd/mm/yy to dd/mm/yy
dd-Mmm-yy	XXX	Xxxxxxxxxx	100:1 consolidation	1.0000	Consolidation effected in conjunction with Back Door Listing

Update file name convention (Discontinued in September 2014)

The process of providing an updated dilution factor file on the day containing revised dilution factor value(s) was discontinued in September 2014. Revised dilution factor values are published in the file either the following day or at a later business date.

<u>Process up to August 2014</u>

In the event that a dilution factor related data need to be updated (e.g. change the dilution factor value, change incorrect ex-date etc…), an updated file will be issued and the naming convention is:

Dfmmdd**(x).**csv

Where:

mm represents the month in the year
dd represents the day in the month
x is any alphabet attached at the end of the original file name

Example: df0804**a**.csvthis is the update file for August 4

In addition, a comment will be included in the specific dilution factor record that has been updated. Example below:

ASX Market Information					
Daily Dilution Report					
Ex-Date	**ASX Code**	**Short Name**	**Reason**	**Dilution Factor**	**Comment**
14-Jan-05	BRT	BrainyToys	5:1 consolidation		Delete/Remove dilution factor; issue did not proceed (cancelled), refer to company announcement "[Title]" dated dd/mm/yy.
29-Dec-04	WIL	Wil Inv Fd	1:2 bonus $1.08Jun06 options	0.9857	company advised change to ratio

Details on Corporate Actions for which ASXMI calculates a Dilution Factor

Attaching Option

Attaching options corporate actions are secondary corporate actions attached to another corporate action which is deemed as the primary corporate action. The bundle of corporate actions is called an “issue package” consisting of at least 2 related corporate actions.

More details of this type of corporate action will be discussed in the Compound Corporate Action section.

Bonus

Bonus corporate actions are issues of shares for free to existing shareholders. These are commonly used to reward shareholders. For the purpose of the calculation of a dilution factor, a bonus issue is merely an example of a rights issue where the application price for the new security is zero.

The most common types of securities offered in a bonus issue are:

- ordinary securities and
- company options

On rare occasions, a convertible note security is offered in a bonus issue. Due to the complex form of a convertible note security, ASXMI does not calculate a bonus dilution factor for convertible notes type of security offer/issue.

Capital/Premium Return

A return of capital/premium is when the company returns cash back to the shareholders. This is effectively the same as a spin-off, except rather than receiving shares in another company, shareholders receive cash.

Capital Reconstructions – Consolidations & Splits

Capital reconstructions are corporate events where the number of shares held by a shareholder changes at a pre-determined ratio (increased for splits and reduced for consolidations) but the underlying value remains unchanged (market capitalisation remains the same before and after the capital reconstruction).

Traditional Entitlements & Rights Issues (Renounceable & Non-Renounceable)

Traditional entitlements & rights issues are offers to existing shareholders to subscribe for additional securities in the company in proportion to their holdings. These offers are conducted according to a detailed timetable prescribed in the ASX Listing Rules.

Entitlement (Non-Renounceable)

An Entitlement or Non-Renounceable Issue is when a company offers to existing shareholders the right to subscribe to new shares at a pre-determined ratio and price where the right to subscribe cannot be passed on to another party if the shareholder opt not to take up the right. Offered shares not taken up by the shareholder simply lapses upon expiry.

Rights (Renounceable)

A Right or Renounceable Issue is when a company offers to existing shareholders the right to subscribe to new shares at a pre-determined ratio and price where the right to subscribe can be passed on to another party if the shareholder opt not to take up the right.

Non Traditional Entitlements & Rights Issues (JUMBO, RAPIDS, AREO, SAREO, PAITREO)

JUMBO, RAPIDS, AREO, SAREO and PAITREO are innovative approaches to capital raisings which combine the attractiveness of an institutional book build to determine pricing while preserving the rights of retail investors to participate. This involves an offer of rights to all existing holders of securities or interests in the same security class at the same time to purchase new securities or interests in proportion to their existing holdings where the terms of the offer are the same.

The methodology does not follow the standard ASX approach to timetables which are designed to allow an investor to trade on a cum-entitlement basis followed by a trading on an ex-entitlement basis. These capital raisings are granted waivers to the ASX Listing Rule timetables for entitlement issues. The capital raising is carried out under a trading halt with shareholders who do not take up their entitlement being compensated by a payment of the difference between the resulting book build price and the offer price. The problem arises because the resulting ex-date does not follow the standard methodology used under the traditional entitlement issue.

The bypassing of the standard ASX timetable has the unfortunate consequence of also bypassing the standard ASX Market Information reporting mechanisms like the Daily Diary, Weekly Summary and ReferencePoint Corporate Action products.
Notice of a pro-rata issue is required prior to the “deemed” ex-date* to allow dilution factors to be calculated. ASX calculates a dilution factor for the retail component of non-traditional rights issues using information typically made available on the day the event will take place or becomes effective – usually before trading opens on the day the trading halt is lifted.

The "deemed" ex-date* of non-traditional rights issues do not follow the traditional corporate actions ex-date formula of 4 trading days before the issue's Record Date .

Note:

* For ASX corporate action and trading records purposes, the day when the final trading halt is lifted is deemed the ex-date for accelerated entitlement offers.

Non-Traditional Entitlement & Rights Issue	**Description**
JUMBO	An accelerated institutional non-renounceable (entitlement) pro-rata issue followed by a retail entitlement issue based on the same terms as the institutional offer. The institutional offer is conducted under an accelerated timetable, with eligible holders receiving their entitlement in advance of the standard retail offer timetable. The "deemed" ex-date* for a Jumbo issue is the date on which trading recommences, since that is the first day on which the issue trades on an ex-entitlement basis. This structure may also be combined with an institutional placement.
RAPIDS	RAPIDS stand for **R**enounceable **A**ccelerated **P**ro-Rata **I**ssue with Dual book-build structure. This is a variation of the JUMBO issue that allows the rights to be renounced off-market. Shareholders who do not take up their rights/entitlements have them sold through an institutional and retail book build and receive the value of the rights/entitlements. In RAPIDS, the renounced entitlements of the shareholders who do not accept the offer automatically default to a "book build pool", whereby investors can bid for these entitlements following the closure of the institutional/public offer. RAPIDS are preferable to Jumbos because it provides more retail protection than the latter (fairer to retail holders).
AREO	AREO stands for **A**ccelerated **R**enounceable **E**ntitlement **O**ffer structure. This is a renounceable (off-market) accelerated pro-rata issue with dual book build* structure.
SAREO	Introduced in October 2009, SAREO stands for **S**imultaneous **A**ccelerated **R**enounceable **E**ntitlements **O**ffer.

Non-Traditional Entitlement & Rights Issue	Description
	The main difference between the SAREO and other versions of accelerated entitlements offers is that while the offer is still carried out in two stages (the offer to institutional shareholders first and the offer to retail shareholders later) the sale of the entitlements of all shareholders who did not take up the offer – the institutional shareholders, the retail shareholders, and those that were ineligible to take up the offer – is carried out by a single book-build after the close of the retail offer. Any value achieved from the sale of those 'renounced' entitlements (if there is any) will therefore be the same on a per-share basis for institutional and retail shareholders.
PAITREO	**P**ro-rata **A**ccelerated **I**nstitutional **T**radeable **R**etail renounceable **E**ntitlements **O**ffer is a variation on the AREO structure where rights trading is available for retail shareholders. Retail shareholders have the opportunity to either take up their entitlements through the offer period or sell their rights through the rights trading period. The rights trading period commences immediately upon lifting of trading halt. The retail book-build* is the same as that of a traditional rights issue where retail shareholders who renounce their entitlements receive the excess amount of the book-build price over the issue price.

* Book builds are a process in an initial public offering or issue of securities in which the price expectations of large institutional investors are taken into account by way of a formal process. The result is a mutually agreeable price for the offer.

Special Dividend/Distribution

The payment of ordinary dividends by a company is deemed to have an influence on the price of ordinary shares, with the expectation that ex-dividend price can fall by the amount of the dividend per share. However, the payment of ordinary dividends does not give rise to a dilution since it is considered to be in the ordinary course of business.

Special dividends are, by their nature, out of the ordinary course of business and take the form of a special cash or in-specie return or distribution of shares in another entity. The term "special dividend" implies a one-off rather than a recurrent payment. As such, it does not give rise to an anticipation of future dividends. Its deemed effect is to dilute the price of ordinary shares by an amount, which is usually equal to the value of the dividend or scrip.

Diluting for special dividends was adopted in January 2006, the same time as S&P adopted the same treatment aligning both entities with global best practice.

A change in the dilution factor calculation methodology for special dividends or other forms of non-recurring special cash distribution was changed in late 2014 following product users and public consultations (ASX Market Notice 39/14).

From November 2014, a dilution factor for special dividends or other forms of non-recurring special cash distribution is only calculated and published where the value of the payment is less than or equal to five per cent (5%) of the shares' closing price at the time of calculation (the day before the ex-date). If the value of the special dividend/distribution is less than or equal to five per cent (5%) threshold described previously, a dilution factor would not be calculated for that event. The change was applied to events announced after the effective/implementation date. No recalculated dilution factors to past events have been made available/published.

Spin-Off

Spin-offs occur when a company aggregates a part of its assets into a separate entity and provides existing shareholders with shares in the new entity. In effect, the market value of the company is divided between the original company and the new entity with any increase in joint value being restricted to any capital raised in the process.

The approach to calculating a dilution factor in respect of a spin-off depends on the nature of the spin off:

a) If no external capital raising is involved, the dilution is calculated on the value given to the newly created shares by the issuing company. The value is usually provided in the explanatory notes to the Notice of Meeting company announcement to approve the spin-off and
b) If external capital raising is involved, the price struck for the book build, initial public offering (or similar) is used in the calculation of the dilution factor

ASXMI will not calculate a dilution factor if there is no price per share value for the spun-off entity is publicly available because the dilution factor formula cannot be applied in this instance.

Compound Corporate Actions

Compound corporate actions involve the issue of more than one class of security at the same time or the occurrence of more than one corporate action on the same day (same ex-date).

There will only be one dilution factor for a security on any given corporate action ex- date. Dilution factors on multiple corporate actions occurring on the same day are calculated individually but are multiplied together and sent as a single dilution factor referred to as a compound dilution factor.

More details of this type of corporate action are discussed in the Compound Corporate Action section.

Compound Corporate Actions

In a compound corporate action, each part has its own dilution factor valued independently of each other. The compound dilution factor is the product of the two independently calculated dilution factors.

In events involving more than one class of security, the calculation takes into consideration the impact of the secondary corporate action on the overall event. Only secondary corporate action involving company options* are taken into consideration.

Note:

* Application Price + Company Option Exercise Price must be greater than underlying security cum price (in the money).

Some examples of compound corporate action events:

- Non-Renounceable Issue of Shares with free attaching Company Option Shares
- Renounceable Issue of Shares with free attaching Company Option Shares
- Return of Capital and Special Dividend/Distribution with same Ex-Date
- Special Dividend/Distribution and Share Consolidation with same Ex-Date
- In-Specie Distribution and Share Consolidation with same Ex-Date
- Return of Capital and Share Consolidation with same Ex-Date
- Return of Capital and Non-Renounceable Issue

Compound Corporate Action Events where only one (1) of the Corporate Action Event has DF Calculated

There are also instances when more than one corporate action will occur at the same time where one event will have a dilution factor calculated and the other event will not have a dilution factor calculated.

Detailed below are examples of these occurrences:

- An ordinary dividend going ex and a rights issue where the new shares to be issued will not participate in the next dividend.
    - In this instance, the dividend corporate action is deemed to happen first and therefore the other issue is deemed not to participate in the next dividend.
    - No dilution factor is calculated on an ordinary dividend going ex.
- An ordinary dividend corporate action and a bonus issue happening at the same time
    - A dividend and bonus issue going ex at the same time where the new shares rank pari-passu. The dividend is deemed to happen first in this case, hence there will be a dividend difference.

- No dilution factor is calculated on an ordinary dividend going ex.

Appendix A – Non Traditional Entitlements & Rights Issues

Information

Non traditional entitlements & rights issues are used by market participants to describe a two tranche issue of securities where:

a. The first tranche is made to institutional investors and the offer frequently involves a book build to determine the price at which shares are offered to institutional and retail investors.

   A second book build is used to allow institutional investors to sell any part of entitlements they do not wish to take up.

b. The second tranche is an offer to retail investors in the form of a renounceable or a quasi-renounceable pro-rata issue. This tranche needs to be subject to a Product Disclosure Statement (PDS) and parties invited to participate in the first tranche are generally excluded from participating in the second tranche.

   The quasi renounceability arises through any retail entitlement not taken up being sold in a book build, with any premium over the offer price being paid to the shareholders who did not take up the offer. Retail investors who do nothing are thus protected by the arrangement. Since the securities can never be sold by investors on a cum-entitlement basis, the ability to renounce the entitlement through the retail book build is a necessary feature to protect the rights of investors.

With non traditional entitlements & rights issues, trading in the securities is suspended prior to the announcement being made to the market and the trading halt is renewed until after the Record Date. The trading halt means that the securities do not trade on a cum-entitlement basis – or at least on a cum entitlement basis after the details of the entitlement are known. The deemed ex-date of a non traditional entitlement & rights issue is the date on which trading recommences, since that is the first day on which the issue trades on an ex-entitlement basis.

The RAPID cycle consists of four stages:

Stage 1: Institutional component of share registry is determined. Renounceable Institutional Offer is made. Institutional shareholders accept or decline their pro-rata entitlements offer.

Stage 2: Declined entitlements default to an Institutional Bookbuild Pool. New and existing institutional investors can bid into Institutional Bookbuild Pool.

Stage 3: Retail component of share registry is determined. Renounceable Retail Offer is made. Retail shareholders accept or decline their pro-rata entitlements offer.

Stage 4: Declined entitlements default to Retail Bookbuild Pool. New and existing institutional investors can bid into Retail Bookbuild Pool.

Appendix B – Definitions, Acronyms and Abbreviations

Acronym/Terminology	Description
Application Money	This is the amount to be paid for each new security to be issued.
ASXMI	ASX Market Information
Cum Price	Closing or Last Price before the Shares are quoted Ex corporate action event.
Dividend Difference	This is also called dividend forgone. The new issue does not participate in the next dividend payable by the company (the new security is referred to as "does not rank pari-passu"). Where the new shares are entitled to the next dividend payable by the company, the Dividend Difference is zero (the new security is referred to as ranking pari-passu or ranking equally).
DF	Dilution Factor
Entitlement of Issue	This is the number of new shares the holder is entitled to buy for each share currently held (i.e. 1:4 represents the ratio of 1 new share entitlement for every 4 shares currently held).
Ex-Date	The date from which the holder of a security retains their rights to benefits associated with owning the security.
FPO	Fully Paid Ordinary Share
In-Specie distribution	Allocation of a physical asset (the company share/stock) instead of cash to be distributed to investors. Also means – distribution in kind or stock dividend
In-the money	When the price or amount attached to a security being offered is at a discount to the market price of the stock on that day.
IPO	Initial Public Offering
IS	Information Services (ASX)
Out of the money	When the price or amount attached to a security being offered is equal or greater than the market price of the stock on that day.
S&P	Standard and Poor's

Appendix C – Special Dividend/Distribution Dilution Factor Calculation Methodology

Following a period of end user and public consultation that closed in September 2014, ASX Market Information implemented on 03 November 2014 the change in the dilution factor calculation methodology for special dividends and non-recurring special distributions.

The change to the dilution factor calculation methodology for special dividends and non-recurring special distributions is the inclusion of a price threshold calculation trigger as follows:

- Value of the payment is greater than or equal to 5 per cent (5%) of the ordinary share closing price the day before the event's ex-date: **Calculate**

  OR

- Value of the payment is less than 5 per cent (5%) of the ordinary share closing price the day before the event's ex-date: **Do not calculate**

Appendix D – Manual Updates Reference Table

Date	Version/ Notice	Page/Section	Changes Made
22/10/14	45/14	28	Change in dilution factor calculation methodology for Special Dividend or other form of non-recurring special cash distribution effective 03/11/14.
Sep 2014		17	Revised/updated dilution factor values published/included in the following business day file or at a later business date.
12/05/16	V1.4	29, 31	Added Manual Updates Reference Table section and ASX Market Data team contact details section.

Note:

For updates/changes implemented after May 2016, refer to ASX Market Information Notices published. ASX Market Information Notices can be accessed using below link.

<http://www.asxonline.com/>

- Click on the **Participant** icon at the top of the page
- Click on the Library icon at the top of the subsequent page.
- Click on “Communications” folder, then on “Market Information”, to access these notices.

Appendix E - Market Information Content & System Support

Subscribers with data content and production problem queries can contact the ASX Customer Technical Support Team for customer support from 06:00 am Monday through to 8:00 am Saturday (AEST) on the following numbers:

1800 663 053

OR

+61 2 9227 0372

OR via email to:

cts@asx.com.au

Written queries may be addressed to:

ASX Customer Technical Support
ASX Limited
P.O. Box H224
Australia Square
SYDNEY NSW 1215

Or sent by facsimile to: +61 2 9227 0859

Appendix F – ASX Market Data Contact Details

Should you wish to contact us to receive further information or discuss any aspects of ReferencePoint, please contact Trading and Information Services:

Houda Harb – Senior Account Manager, Trading Execution and Information Services	(+612) 9227 0422
Edwina Glinoga – Information Services	(+612) 9227 0761

Email InfoandTechServices@asx.com.au
Web www.asx.com.au