

L'Agefi, publication date: October 26, 2009

Midcaps are taking advantage of a launch window to raise funds INFOMEDIA

Equity and bond issues by small and midcaps have become increasingly common since early September. But not all companies have been able to get on the bandwagon.

Some ten midcaps quoted on Eurolist and five on Alternext have launched securities issues since the end of August, as many as in the entire previous year.

Is this a sign of renewed confidence? "A few companies are starting to try their luck, but I see no massive return of financial transactions. The market is being selective," points out a communications agency manager.

In fact there are two categories of issuer currently: companies with no choice, who are having to restructure their debt to meet their covenants and/or refinance, and opportunists, who are taking advantage of favorable conditions. Orpea is in the second category. After issuing OBSAAR¹ bonds for a net €212 million in August, this specialist in accommodation for the dependent raised €62.4 million via an accelerated equity placement with qualified investors.

Orpea took advantage of a decree of January 22, 2009 authorising capital increases of up to 20% of a company's share capital per year without AMF documentation or preferential subscription rights. "We are likely to see a few more transactions of this type before the end of the year," says Xavier Larnaudie, managing director and joint head of syndication at Calyon, who handled the Orpea placement. But not many midcaps are in a position to try, since they must be liquid and the managers must already be familiar with them.

In contrast, Groupe Flo and Guy Degrenne are among the companies that are having to strengthen their equity capital or quasi-equity capital as part of renegotiations with their banks. Then there is the separate case of Mr Bricolage. The company used an OBSAAR issue of €48 million, which opened for subscription on Friday October 23, to sign a rider to a syndicated loan, although this issue was chiefly earmarked to fund acquisitions announced three weeks earlier. "We chose this product for its lower cost [Euribor 3 months + 67 bp, ed.] and the possibility it gives of strengthening our equity capital over the longer term through equity warrants," says Jacques Blanchet, CFO of Mr Bricolage. "The current rates are attractive, and other companies are looking into this possibility," explains an investment banker.

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¹ Bonds with equity warrants on new or existing shares