Final Exam 25/01/2021 – Structured Finance - Prof. Bruno – Luiss

Open Questions

1) **Please describe the stabilization process in an IPO and explain how greenshoe is applied in the aftermarket**
2) **Please explain what is a "quality spread differential" and provide a quantitative example in an interest rate derivative transaction between two borrowers with different credit standing**
3) **Please describe the rationale and the effects of share buy-back and explain why conditions and limitations are applied by market legislations**
4) **Please describe the securitization mechanism, the contribution deriving from tranching techniques and which credit enhancement can be applied to improve market acceptance**
5) **Please explain and describe key performance indicators commonly used in order to evaluate and monitor credit quality in a project financing structure**

Exercises

1. **Beta share price is €10, its market cap is €2.300m and the basic current year EPS is €2,0. Beta employees stock options amount to 35m and they have an average exercise price of €8 and a conversion ratio of 5 new shares for each 2 option. Please calculate the diluted EPS and the diluted EPS accretion or dilution in case of a capital increase of €300m executed at a subscription price of €6 and assuming a cash reinvestment rate of 5%**

2. **Please calculate the conversion price, parity and discount of a convertible bond with the following features**
    a. **nominal value of €1.000**
    b. **conversion ratio of 25**
    c. **the underlying share price trading at 8% premium versus the conversion price**
    d. **the convertible bond price is trading at 103%**
    e. **please explain technical reasons why the convertible bond might be trading at discount**

3. **On 31/12/2015 Alpha with a EBITDA of €10m is acquired by a private equity fund for a multiple of EV/EBITDA of 8,7x. On 30/6/2020 Alpha is sold at EV/EBITDA of 10,2x; at the exit the EBITDA and net debt are respectively €13m and €20m. Dividends have not been paid in the period.**
    a. **Please calculate the CoC and the IRR in two difference acquisition funding cases:**
        i. **50% Equity and 50% Leverage Loan**
        ii. **35% Equity, 15% Mezzanine debt with 9% coupon totally rolled up and paid at exit and 50% Leverage Loan**
    b. **Please calculate the value creation contribution in % of the main value driver (EBITDA increase, Deleverage, Multiple Arbitrage, Combined Effect) in the funding case i) above**