

Daily Review
19 November 2013

FALCON ENERGY

S\$0.41-FALE SP

- Falcon Energy (FE) is proposing to reward shareholders with 1 free warrant for every 10 existing shares owned.
- This translates to the issue of 82,453,751 free warrants and 10% potential dilution to the existing share capital of the company.
- The subscription price of the warrant is 43 cents and represents a 4.9% premium to FE's last traded price of 41 cents.
- The warrant is exercisable at any time during the period commencing on and including the date falling 6 months from the listing of the warrants and will expire at 5pm on the date immediately preceding the 2nd anniversary of the exercise period commencement date.
- The warrant issue is subject to **SGX** approval and is estimated to raise up to \$35.5mln if fully exercised.
- The proceeds will be used to support the business activities, operations, expansion, working capital as well as part repayment of bank loans.
- The above exercise is a cheaper form of fund raising for the company and will also reward existing shareholders as once the share price goes above the exercise price, the warrants will have "intrinsic value".
- On the other hand, if share price remains below the exercise price, there will still be "time value".
- In terms of share price reaction, investors can cross reference to **Centurion Corp** which similarly issued a "1 for 10" free bonus warrants on 13 Aug'13 at an exercise price of 50 cents when the stock was last traded at 43.5 cents on 12 Aug'13. The company had then also proposed to raise a similar \$37.7mln.
- Centurion Corp's share price had reacted positively, surging 10% on the day of the bonus warrant announcement and is currently trading at 55 cents (10% above the warrant exercise price of 50 cents), 26% above the pre-warrant announcement price.

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