



# Optimising your Placement with ASX BookBuild

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# 1. Introduction

## What is ASX BookBuild?

ASX BookBuild is a facility for Australian listed companies raising new equity to price and allocate securities using existing Australian Securities Exchange (ASX) market infrastructure, and OnMarket BookBuilds' intellectual property.

It may be used for Placements, Initial Public Offerings (IPOs), and at the back end of a Rights Issue for the sale of renounced or shortfall rights.

The ASX BookBuild facility allows Issuers to:

- access all eligible investors in the market;
- raise equity capital at the lowest possible cost;
- manage allocation outcomes, ensuring an optimal shareholder register; and
- improve the corporate governance of equity raisings.

The ASX BookBuild facility ensures that existing financial intermediaries maintain their role in origination and distribution. As ASX BookBuild is a regulated market, only ASX Participant Brokers can be appointed Technical Lead Manager (TLM) of a capital raising using the ASX BookBuild facility.

Investors can use traditional full-service or self-directed broking houses to bid for securities.

## Why use ASX BookBuild?

The ASX BookBuild facility enables Issuers to raise capital efficiently, fairly and transparently. ASX BookBuild can be used to facilitate optimal price discovery, and enables Issuers to achieve better pricing and allocation outcomes by:

- providing a platform that is accessible to all eligible investors, thereby maximising the spread of investors and investor demand;
- using a contestable pricing mechanism that can reward price leadership;

- encouraging investors to commit to the equity issue early; and
- allocating securities according to a transparent and defined set of rules where all investors are treated fairly.

# 2. ASX BookBuild: the Basics

Before a company undertakes a Placement using ASX BookBuild, the Issuer must:

- appoint a TLM that is an ASX Participant Broker;
- inform ASX of their intention to undertake a Placement, as per existing procedures outlined in the ASX Operating Rules;
- notify ASX that they intend to use the facility by completing an ASX BookBuild application form and sending it to [BookBuild@asx.com.au](mailto:BookBuild@asx.com.au) **no later than 12:00pm AEST the day prior** to the intended use of the ASX BookBuild facility;  
*NB: The submission of the application form is confidential, and does not oblige the Issuer to use the facility. If the Issuer decides not to use the ASX BookBuild facility after submitting the application form, they should inform their ASX Listing Officer.*
- request a trading halt prior to market open on the day of the Placement;  
*NB: While the granting of a trading halt is not a pre-condition to using the ASX BookBuild facility, the Issuer cannot use the ASX BookBuild Facility until a decision has been made by ASX as to whether a trading halt should be granted or not.*
- make an announcement via the ASX Market Announcements Platform (MAP) detailing the terms and conditions of the Offer before the bookbuild commences.

## 2.1 The Technical Lead Manager

The Issuer-nominated TLM will be given access to the TLM Web Interface (TLMWI) to set the ASX BookBuild parameters, open the bookbuild, enter priority bids, view the bookbuild while it is live, make any adjustments to disclosed or non-disclosed parameters, and close the bookbuild.

The TLM will log into the TLMWI using their ASX Online username and password.

### What does a TLM do?

The TLM acts on behalf of the Issuer and is responsible for:

- managing the ASX BookBuild process;
- setting the disclosed (public) parameters of the ASX BookBuild facility before the Placement opens;
- managing the non-disclosed parameters of the ASX BookBuild facility; and
- submitting priority bids into the ASX BookBuild facility.

Decisions about when to open, close or cancel the ASX BookBuild facility, as well as decisions regarding the ASX BookBuild parameters, will typically be a consultative process between the Issuer and the TLM.

ASX will act on instructions from the Issuer's TLM.

## 2.2 Setting ASX BookBuild Parameters

### What are the ASX BookBuild parameters?

Issuers undertaking a Placement using ASX BookBuild will discuss the appropriate parameters for their capital raising with their TLM. Typically, the mandate letter sets out how the control of the parameters are managed between Issuer and TLM.

Some of the ASX BookBuild parameters are publicly disclosed. Public parameters entered into the facility by the TLM will be announced via the ASX MAP.

### ASX BookBuild Parameters

Parameter	Description	Mandatory	Fixed	Disclosed
<i>Size of the Offer</i>	The total value (\$) to be raised or total number of securities to be issued	✓	✗	✓
<i>Opening Price</i>	This price will be displayed to the market ( <i>for variable price, this will move when bids exceed the coverage threshold</i> )	✓	✗	✓
<i>1<sup>st</sup> Priority Offer %<sup>1</sup></i>	% of the book reserved for 1 <sup>st</sup> Priority Bidders, who receive 100% allocation if their bid is at, or above, the final bookbuild price	✓	✓	✓
<i>2<sup>nd</sup> Priority Bid %<sup>1</sup></i>	% of an investors bid that is guaranteed an allocation if their bid is at, or above, the final bookbuild price	✓	✓	✓
<i>Minimum Market %</i>	The minimum % that will be offered on-market	✓	✓	✓
<i>Investment Cap<sup>1</sup></i>	Issuer can set a maximum allocation % to a single investor	✓	✓	✓
<i>Minimum Allocation Amount</i>	The minimum allocation to a single investor after scale back	✓	✓	✓
<i>Coverage %<sup>1</sup></i>	The percentage of demand that exceeds the price i.e. the number of times the book is covered ( <i>i.e. controls price</i> )	✓	✗	✗
<i>Price Leaders %</i>	% of pro-rata allocation reserved for bidders who bid above the final bookbuild price	✗	✗	✗

<sup>1</sup> Mandatory, but may be set to zero

### Once the Bookbuild is open, is it possible to vary the ASX BookBuild parameters?

Non-disclosed parameters can be changed by the TLM at any time, and there is no requirement to announce the change to the market. Broadly, these are the variable parameters that determine the level of scale back and hence where the Placement Price is set relative to total demand.

Certain public parameters, once announced to the market, cannot be changed. These are:

- % Offered to 1<sup>st</sup> and 2<sup>nd</sup> Priority Bidders
- Minimum % Offered to OnMarket Bidders
- Investment Cap

Changes to the other disclosed parameters will trigger an announcement via ASX MAP. The bookbuild cannot be closed for a period of at least 20 minutes after one of the disclosed parameters is changed, to allow market participants the opportunity to consider the change. See the table above for a summary of the parameter conditions.

## 2.3 Opening & closing ASX BookBuild

### How is the ASX BookBuild facility opened?

1. The Issuer submits a confidential ASX BookBuild Application Form to ASX no later than 12:00PM AEST the day prior to opening the bookbuild.
2. The Issuer submits a trading halt request to ASX.
3. The Issuer releases a Company Announcement on ASX MAP informing the market of the Placement details, including:
  - the Issuer's intention to use the ASX BookBuild facility;
  - the ASX-assigned ticker code for the Placement;
  - the Placement parameters;
  - the identity and contact details of the TLM; and
  - the method of settlement and contact details.

4. The TLM enters the Placement deal parameters into the TLMWI and opens the ASX BookBuild facility. This triggers the release of the ASX BookBuild Initial Parameters Announcement via ASX MAP.

5. ASX releases the pre-agreed ticker code for the capital raising to the market (e.g. YYYYBB) and all on-market investors may bid into the facility.

While the facility is open, on-market bidders will be able to enter, cancel or re-submit their bids.

Once the facility is closed, all bids are final and binding.

### How is the ASX BookBuild facility closed?

When the Issuer is satisfied with the level of demand, price and coverage, the TLM initiates the close via the ASX BookBuild web interface, which triggers a random timer closing function.

Where an Issuer is conducting a variable price Placement, minimum and maximum caps may be applied to restrict price changes during the random timer period.

Similar to the daily opening and closing auctions, the random timer gives the market greater confidence that the close will not be manipulated.

The TLM is not required to advise the market when the bookbuild is due to close, ensuring that bidders are not provided with information that would allow them to delay bidding until the close is imminent.

However to give investors the opportunity to assess the investment, Issuers may decide to inform the market that they will not close the bookbuild before a certain time.

If the demand is greater than the Value or Volume to be raised, the Issuer can decide to upsize the offer via a market announcement on ASX MAP, or to scale back investors.

If the demand is less than the Value or Volume to be raised, the offer will need to be downsized via a market announcement on ASX MAP at least 20 minutes prior to the close of the offer.

All bids are binding once the bookbuild has been closed.

Once closed, the Issuer releases an announcement on MAP detailing the completion of the bookbuild, as per current procedures.

#### How long can the ASX BookBuild facility be left open?

The ASX BookBuild facility can be open for as long as is needed to maximize the capital raising opportunity, keeping in mind the Operating Procedures of ASX regarding material transactions, trading halts, and voluntary suspensions.

In particular, if the Issuer requests a trading halt for the purposes of the Placement and requires the facility to be open for a longer period than the standard two (2) trading days, the Issuer will go into a voluntary suspension, as per current ASX listing rules.

The Issuer may choose to open the ASX BookBuild facility for either the first, second, or both days of their trading halt.

#### When are new securities issued?

New securities will only be allotted and issued once the ASX BookBuild facility has closed, allocations are finalised, settlement completed, and any conditions to allotment are satisfied.

#### Can the Placement be underwritten?

Yes. The offer of securities via ASX BookBuild can be underwritten, providing Issuers with certainty of funding. This is a decision for the Issuer and their advisers.

## 3. Placement Pricing and Allocation

### 3.1 Placement Pricing

#### What pricing options does ASX BookBuild provide?

An Issuer using the ASX BookBuild facility can choose between a fixed price and a variable price offer.

A **Fixed Price Offer** is one in which a pre-agreed price is announced to the market and all bids are accepted at that price. This price is set in consultation with the Issuer's Lead Manager and is included in the relevant Company Announcement. A Fixed Price Offer may be increased in terms of shares issued, but a better pricing outcome cannot be obtained by increasing the price in light of strong market demand.

A **Variable Price Offer** is one in which a pre-agreed Opening Price is announced to the market, and bids are accepted at or above the Opening Price. The Opening Price is set in consultation with the Issuer's Lead Manager and is included in the relevant Company Announcements, including stating that the Issuer retains the right to increase the issue price in light of market demand. A Variable Price Offer may be upsized in terms of shares issued, and may be 'up-priced' in terms of the price of the issue. The Issuer may also choose to issue at a lower price, via an ASX MAP announcement.

In both the Variable and Fixed Price Offers, while the ASX BookBuild facility is open, the live Placement Price is visible to bidders via the temporary ticker code (e.g. YYYYBB) that is issued by ASX.

## 3.2 Variable Pricing

### How can ASX BookBuild assist optimum Placement pricing?

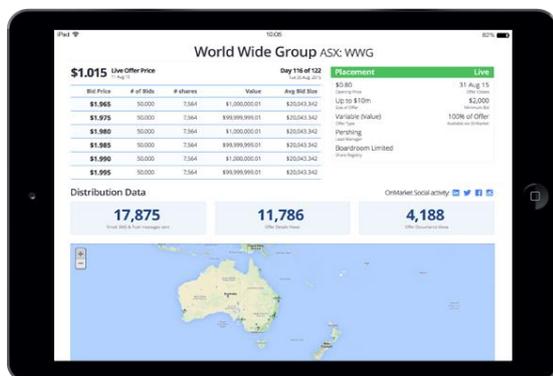
ASX BookBuild allows all eligible investors to bid into the book at a price they are willing to pay. The Issuer will see the bids at the various prices offered via the TLMWI. By capturing demand from the entire market, the Issuer can make pricing and allocation decisions in conjunction with their advisers based on best available information.

The Issuer will determine the Final Price of the Placement, the allocation, and the degree of scale back in consultation with their TLM and in light of all of market demand.

Visibility of all of market demand curve should also give the Issuer more insight into the anticipated after-market demand for its stock.

### What benefit does ASX BookBuild bring to the Placement Price?

In both a fixed price offering and a variable price offering, the ASX BookBuild facility ensures that every broker in the market has the opportunity to promote the Issue. This may have positive outcomes for the Placement as well as supporting aftermarket interest in the Issuer's securities.



*The OnMarket App Issuer Dashboard gives Issuers a front seat to the capital raising.*

### How does the OnMarket app assist in setting the Placement Price?

The Issuer and the TLM receive live feedback on the demand for the Placement via the OnMarket app Issuer Dashboard. This includes the price and volume of shares that are being bid, as well as the broker ID of individual orders so that the TLM can see where the demand is coming from.

### Describe the process involved in setting the Placement Price in a variable priced deal

1. Select the Opening Price: The Company Announcement should contain the floor price at which the securities will open.
2. Bids made above the Opening Price: When the Placement offer period opens, investors will instruct their broker to make bids at a price they are happy to pay. This may be above the Opening Price. The Issuer may also encourage bidders to bid higher than the Opening (and Live Price) by disclosing in the Company Announcement that a Price Leader's Allocation will be applied.
3. Placement Price is live: When market demand meets the Coverage %, the price will be live and will increase when demand exceeds the Coverage %.
4. Controlling the Placement Price: the Price is controlled by the Issuer and the TLM, by adjustment of the Coverage % parameter. That is, the number of times the book is covered, or the percentage that demand exceeds supply.
5. Bids made below the Live Price: If market demand is strong, the price will move in accordance with the Coverage % set by the Issuer and TLM. Since a Live Price is visible to all bidders, they will know whether they are in or out of the money. They will then have the opportunity to amend their bid or leave their bid unchanged and miss out on an allocation.
6. Placement Price is set: The ASX BookBuild facility closes and the Placement Price is set using the Coverage % by the Issuer and the TLM. All successfully allocated bidders will pay the same final price.

### How does the coverage % work?

The Coverage % parameter gives the Issuer the ability to respond to market demand, and the ability to determine the price in light of the coverage level at which they wish the bookbuild to be closed. This simply means that if there is more demand than expected, Issuers can benefit from a higher issue price. Alternatively, Issuers may select a lower price, if preferred, allocating more of the offering to selected, identified bidders and scale-back on-market bids more heavily.

This parameter is not disclosed to the market and can be changed at any time. The Placement Price will be the highest price where demand exceeds "Coverage % x total value/volume".

### Can the company issue securities at different prices?

No. When the Issuer is satisfied with a price and instructs the TLM to close the book, all securities will be issued at the same closing price.

Accordingly:

- bids received below the closing Placement Price will be deemed unsuccessful;
- bids made above the Placement Price will be allocated securities in accordance with the allocation policy; and
- the final issue price for the new securities (the Placement Price) will be the same for all investors.

### Can the Issuer accept oversubscriptions using the ASX BookBuild facility?

Yes. This would involve an increase in the number of securities to be issued. The Size of Offer parameter would be changed by the TLM, and the increased Size of Offer would be publicly announced using ASX MAP.

Following the change in public parameter announcement, the ASX BookBuild facility cannot be closed for at least 20 minutes. This allows market participants the opportunity to consider their bids in light of the change.

## 3.3 Allocation of Shares

### How will securities be allocated?

New securities are allocated under ASX BookBuild according to a defined set of rules. The Issuer and the TLM control the percentage allocated to each bidder group.

Securities are allocated in the following order:

1. 1st Priority Bidders that bid at, or above, the Placement Price receive 100% of their bid.
2. 2nd Priority Bidders receive the "2nd Priority Bid % x the amount of their bid" that is at or above, the Placement Price.
3. Price Leaders are allocated the total securities available in the Price Leader's stage; being the "Price Leaders' % x the remaining unallocated securities". The securities are allocated pro-rata to unfilled bids above the Placement Price.
4. Remaining securities are allocated pro-rata to unfilled bids at, or above, the Placement Price (including 2nd Priority Bidders).

Scale back will be applied according to the Coverage % set by the Issuer and TLM and will be applied equally to every bidder in each bidder group i.e. all bidders in the on-market and 2nd Priority groups will be scaled back according to the parameters set for each group by the Issuer and TLM.

1st Priority Bidders and 2nd Priority Bidders are selected at the discretion of the Issuer and TLM.

### How do investors know what allocation they will receive?

After the ASX BookBuild facility is closed each broker will be automatically notified of their allocations via their trading/settlement interface.

Like the secondary market, each ASX Participant Broker guarantees the settlement obligations of their clients.

Each investor will then be notified of their final allocation by their broker. Any allocation will be dependent upon the investor's bid being at, or

above, the final Placement Price. Any bid that is below the final Placement Price will not receive an allocation.

Investors may also receive an additional allocation if their bid is above the final Placement Price, and the Issuer has decided to apply a Price Leaders allocation percentage.

Investors will be aware of any scale back on the basis of the % allocation they receive relative to their bid amount. However, the overall level of investor demand and the amount of scale back will be confidential to the TLM and Issuer and will be determined by the Coverage %.

## 4. Placement Participation and Application Process

[How do investors participate in a Placement that uses the ASX BookBuild facility?](#)

Investors can participate in an ASX BookBuild Placement through their broker or directly via the OnMarket app or OnMarket website: [www.onmarketbookbuilds.com](http://www.onmarketbookbuilds.com).

While the ASX Bookbuild facility is open, a broker can enter, cancel or re-submit bids on an investor's behalf.

[Can any investor participate in a Placement using the ASX BookBuild facility?](#)

At this time, only sophisticated investors under section 708 of the Corporations Act can participate in Placements that are not accompanied by a Prospectus.

In order to participate, investors must:

- be eligible under the terms of the Placement (e.g. if the offer is made to Australian residents only, the investor must be an Australian resident);
- have entered into a once-off ASX BookBuild Client Agreement with their broker. This is a standing agreement that allows investors to participate in all

future ASX BookBuild transactions for which they are eligible; and

- instruct their broker to bid for the new securities, or bid directly through the OnMarket app or OnMarket website.

It is the responsibility of the broker bidding on behalf of investors to ensure eligibility requirements are met.

[How will investors know when a transaction is being conducted on ASX BookBuild?](#)

All transactions conducted on ASX BookBuild are announced via ASX MAP under the Issuer's head stock code.

The MAP announcement occurs prior to the ASX BookBuild facility opening. Upon reading the MAP announcement, all brokers can notify their clients of how to participate in the Placement.

Investors and brokers can also register to the ASX BookBuild Alerts service via the OnMarket app or via [www.onmarketbookbuilds.com](http://www.onmarketbookbuilds.com).

Subscribers to this service receive email notification when a transaction is being conducted on ASX BookBuild and are also notified of relevant independent research.

Once the ASX BookBuild is open, investors can see a live price but market depth / volume is not visible. This avoids investors gaming the process, however, market depth / volume is visible to the Issuer and TLM via the TLMWI.

[Can the Issuer offer priority status to certain investors?](#)

Yes. The ASX BookBuild facility allows the Issuer and TLM to retain control over the key aspects of the capital raising, including the percentage of allocations to be allotted to Priority Bidders.

The 1st Priority Offer % and 2nd Priority Bid % can be used to guarantee particular investors allocations of securities in the Placement.

All Priority Bidders are selected at the discretion of the Issuer and the TLM.

### Can the Issuer offer securities to New Zealand and other international investors?

Mutual recognition laws allow for Placements to be extended to New Zealand residents in certain circumstances. New Zealand applicants will need to enter into an ASX BookBuild Client Agreement with a broker that is eligible to participate in ASX BookBuild.

Participation of other international investors is governed by the terms of the Offer and relevant Securities Laws.

### What fee does the Issuer pay for using the ASX BookBuild facility?

ASX charges a \$25,000 “flag fall” fee to use the facility. In addition:

- In the case of a Fixed Price Placement, ASX charges an ad valorem fee calculated on the size of the Placement.
- In the case of a Variable Price Placement, ASX charges the Issuer a success fee based on the dollar value upside of the offer and an ad valorem fee calculated on the size of the Placement.

The ASX BookBuild Issuer fee schedule is available on the ASX website.

### Example language for company announcements

While the rules regarding ASX BookBuild announcements are not overly prescriptive, it is recommended to include certain key facts. We would be happy to provide recent precedents as guide to the most appropriate wording.

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## CONTACT DETAILS

OnMarket BookBuilds welcomes the opportunity to discuss possible Placements with companies, and to provide guidance on the ASX BookBuild Placement process.

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