

March 15, 2021

**Dear CA customer,**

This time we will take a closer look at what happens to the value of the share in connection with the record date in a rights issue.

### **“Last day inc” is two days ahead of the record day**

In a rights issue, the record date is the day when Euroclear checks who are entitled to subscription rights.

However, for an investor to receive subscription rights he needs to own the share two business days before the record date. This is because the market participants in Sweden have decided that there should be two banking days between the closing date and the settlement date (more info on this can be found [here](#)).

### **Zaplox - a current example**

Theory in all its glory, but it is often instructive to look at what is really happening. Therefore, we will now look at what happens when subscription rights are separated in a current issue. We will have a look at the rights issue in Zaplox. Zaplox rights issue is a so-called unit issue, which means that the subscriber receives both a shares (AK) and a warrants (TO). However, we (like the rest of the market participants) will ignore the value of TO in our calculations. The issue broadly looks like this:

- Conditions: 1 AK gives the right to sign up for 1 unit.
- 1 unit consists of 1 AK + 1 TO
- Price per unit: SEK 0.24
- Last day for trading in the share, including the right to receive unit rights (called the last day inc.): March 11.
- First day of trading excluding the right to receive subscription rights (called X-day): March 12.
- Record day: 15 March
- Closing price of the share on March 11: SEK 0.412

Investors who owned shares at the end of March 11 received one UR per share. Those who bought the share on March 12 thus received no UR. If the share price is higher than the subscription price, the UR will get a value and that value must be deducted from the share.

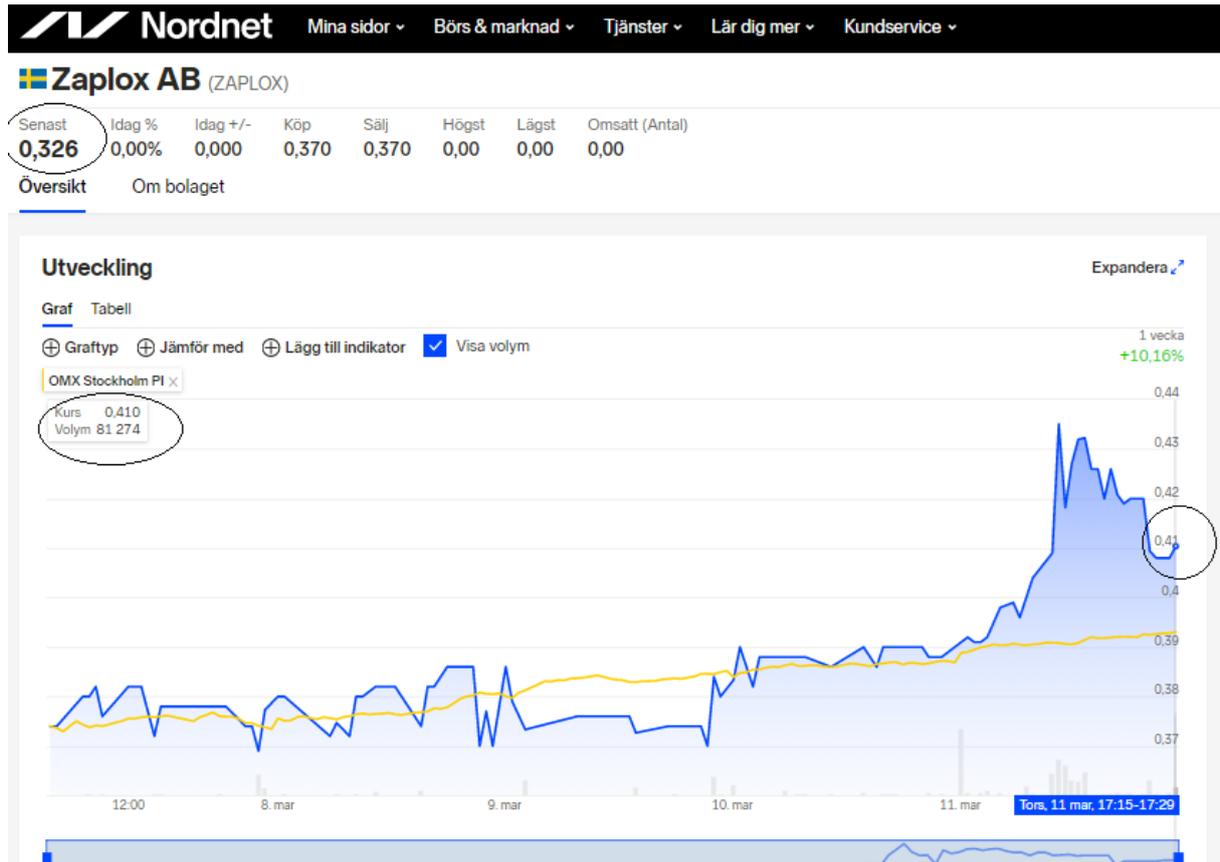
Zaplox closing price on March 11 was SEK 0.412 and the subscription price in the issue is SEK 0.24 per unit. To calculate how much value is to be transferred from AK to UR, it is easiest to make the calculation according to the terms (1:1 in this case).

If you owned 1 Zaplox share, you had shares worth SEK 0.412. That share gives you the right to buy 1 more share for SEK 0.24. You will thus have 2 shares worth  $0.412 + 0.24 = \text{SEK } 0.652$ . This gives an average value of  $0.652 / 2 = \text{SEK } 0.326$  per share.

The share price on Thursday of SEK 0.412 will thus, all other things being equal, correspond to SEK 0.326 on Friday.

Nasdaq, Nordnet, Avanza and others make share price adjustments as described above. The historical stock price data on their web pages should then be adjusted with the difference  $0.326 / 0.412 = 0.7913$  (which in technical terms is called the correction factor). This means that, for example, Nordnet should change the last paid price in the share from 0.412 to 0.326 and the price charts should be reduced in value by the corrective factor.

On March 12, a few minutes before the stock exchange opened, it looked like this on Nordnet:



As we can see above last paid price was changed to SEK 0.326. Therefore, the trading will from that point be set in relation to SEK 0.326. Now let us look at what it looked like when the trading started.

Information on Nordnet's page on the morning of March 12:



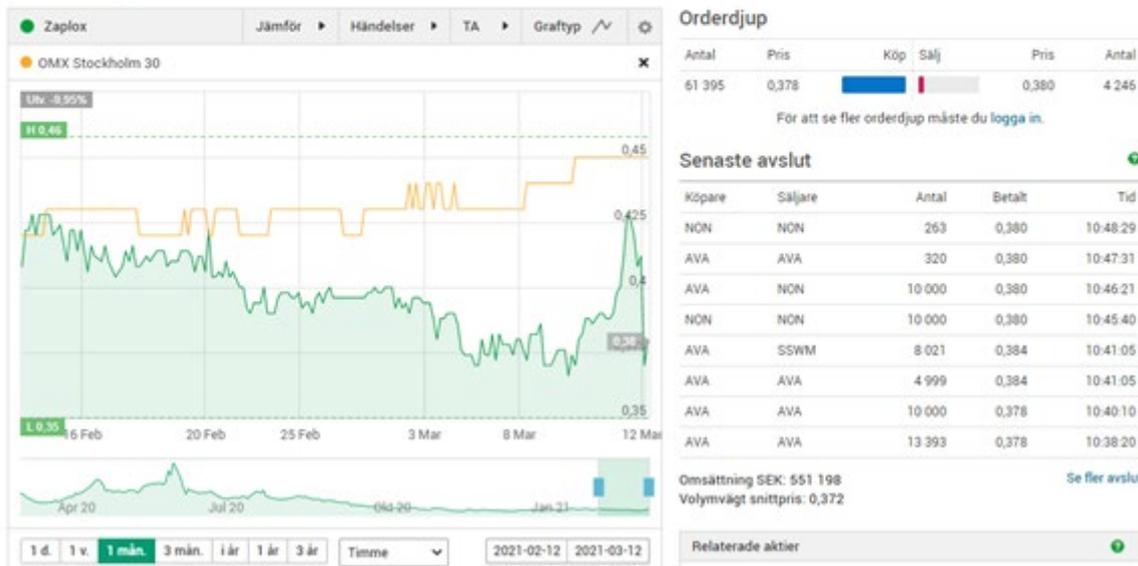
As the picture above shows, the last paid price in the share is SEK 0.384. If we compare 0.384 with 0.326, we get a difference of 17.8%, which is also the price change that can be seen on Nordnet's page. As you can see above, the price graph is not adjusted, which is a mistake from Nordnet. Had the price graph been adjusted, it would have shown a price increase from 0.326 to 0.384, now it shows a price decrease from 0.412 to SEK 0.384.

If we look at the Avanza website, we find out that Avanza did no price adjustment at all. As you can see below the share "incorrectly" fell 7.77%.

## Zaplox

Köp Sälj ↓
 Utv. idag % **-7,77 %**
 Utv. idag SEK **-0,032 SEK**
 Köp 0,378
 Sälj 0,380
 Senast 0,380
 Högst 0,390
 Lägst 0,350
 Antal 1 483 512
 Tid 10:48:29

Om aktien Om bolaget

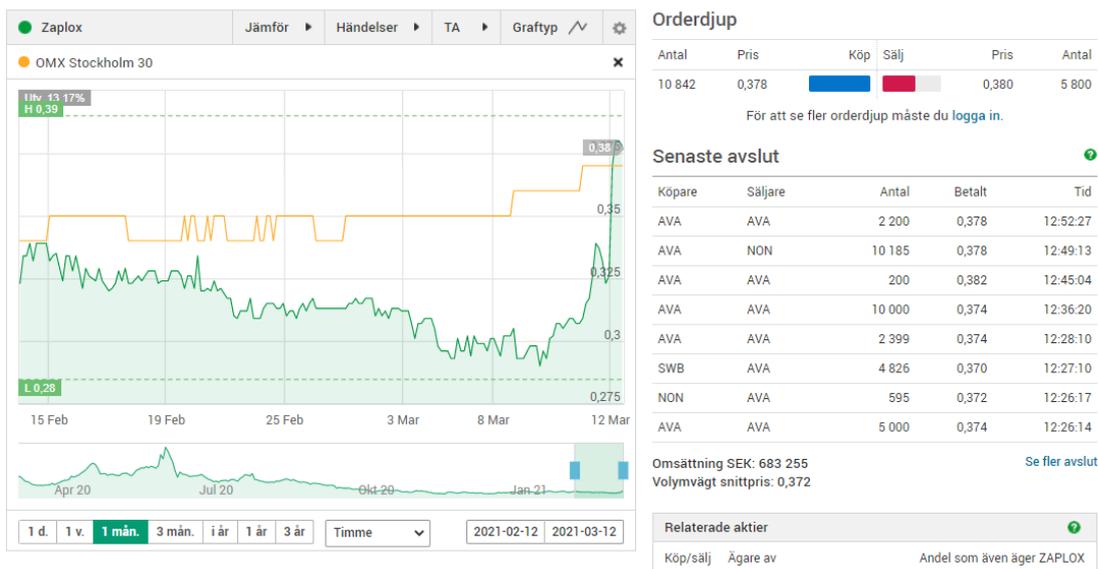


This is confusing for investors. Even if it is not part of the CA assignment, we check that the online brokers (and Nasdaq) handles rights issue's correctly. Shortly after we contacted Avanza, they updated their website with correct information:

## Zaplox

Köp Sälj ↑
 Utv. idag % **+15,95 %**
 Utv. idag SEK **+0,052 SEK**
 Köp 0,378
 Sälj 0,380
 Senast 0,378
 Högst 0,390
 Lägst 0,350
 Antal 1 834 303
 Tid 12:52:27

Om aktien Om bolaget



### **The size of the issue and the size of the discount determine the size of the price adjustment**

In general, large discounts and large dilutions lead to large price corrections on the so-called X-day and vice versa.

Institutions can probably understand this effect, while many private investors do not. Many investors confuse the record day with “the last day inc”. A lot of investors also do not understand that part of the value of the share must be transferred to the subscription right on the X-day.

### **What use might you have from knowing about this?**

We think you might:

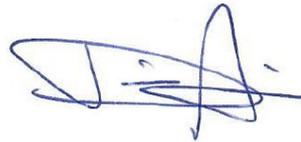
- Gain a better understanding of why it is important to highlight “last day incl.” in press releases regarding a rights issue,
- Find it easier understand how a rights issue might affect the share price,
- Find it easier to answer questions from investors,
- Want to know that we keep an eye on what is happening in the share.

Finally, we would like to point out that Zaplox is a CA customer of SKMG. We do never write about our customers without our customers' approval. In this case, Zaplox has approved that we send this letter.

All the best,



Ronny Farnebäck,  
Head of Certified Adviser Services



David Ahlin,  
Certified Adviser