
High yielding securities of Valletta Co to enter the start-up market

Arminfo - 30/6/2007

High-yielding securities of Valletta, one of the leading multi-industry Armenian companies, will shortly enter the start-up market of debt instruments. Today, an agreement on formation of a group for placement of inaugural issue of the bonds was signed at the ArmSwissBank. The underwriting syndicate comprised ArmSwissBank, which is the main underwriter of the issue, as well as Conversebank, Armenian Development Bank (ADB) and Future Capital Market, an investment and broker's company. On behalf of the syndicate, an agreement on guaranteed placement of bond loan was also signed between the issuing company and ArmSwissBank. It is planned to hold the procedure of securities' registration in the Central Bank of Armenia (CBA) next week.

The ArmSwissBank press-service told ArmInfo correspondent that the volume of issue of undocumentary coupon bonds of Valletta will total 350 mln AMD. This amount will be divided into 7 thsd securities; the nominal value of each will be 50 thsd AMD. The period of the bond turnover is 18 months with 10.5% of yearly interest. Coupon payments will be carried out once every six months. The bonds are secured by the Valletta's property and stipulate supplementary guarantees by the company's owners.

According to the Chairman of ArmSwissBank's Board, Gevorg Machanyan, the issue of Valletta's bonds is unprecedented for the Armenian market not only because the issue considerably exceeds the bonds traded in the market by its volume and profitability, but also by its mechanism of initial placement through forming of an underwriting syndicate. Under the agreement, ArmSwissBank is to purchase bonds worth 175 mln AMD, Conversebank - 75 mln AMD, ADB and Future Capital Market - 50 mln AMD each. "In late July, the securities will be listed at the Armenian Exchange (ArmEx), and they will enter the REPO market. Initially we were going to put the bonds on the secondary market, that's why ArmSwissBank was granted license for broker's, dealer's and depositing activities," G.Machanyan noted. According to his estimations, at the moment the demand for Valletta LLC's bonds in the secondary market totals about 150- 200 mln AMD. "We managed "to form" a maximally convenient and attractive instrument for investors both by yield and liquidity," the Head of the bank said. He added that the bank is ready to secure the liquidity constantly. To note, the interest rate on bonds exceeds the treasury curve by 4-4.5% at the mean. G.Machanyan pointed out that this won't be the only issue of the company. In August, the company is planning to organize a new issue of bonds. According to the business plan, the company intends to hold three issues worth a total of \$7 mln in 2007.

The manager of Valletta's financial programs, Anna Gevorgyan, told the ArmInfo correspondent that the funds received from the inaugural bonded debt will be spent on restructuring of financing sources and reduction of the value of the company's loan proceeds, as well as on capital investment in implementation of new programs; a small part of the money will be spent on replenishment of floating funds.

"Restructuring, i.e. reduction of the value of loan proceeds has become one of the strategically important tasks of our company which is conducting quite successful and diversified business," A.Gevorgyan emphasized. According to her, capital investments will be directed to

creation of a network of cafes of the world famous Italian company Segafredo Zanetti in Armenia on a franchising basis. The floating funds are to increase the import component of the company's activity and form sufficient commodity stocks for further development of the retail market in the person of Star, the largest network of supermarkets in Armenia, affiliated with Valletta.

To note, Valletta holds the 33rd place on the list of the largest Armenian tax payers. A number of processing industries, restaurants, a network of stores, as well as firms engaged in import of household equipment, operate within the framework of the company. On the basis of its financial condition, the company was rated 'B-' by CBA specialists.

According to the data of ArmInfo, ArmSwissBank, which was established in 2005, is developing in investment, corporate and private banking. According to the financial accounting as of early April, the total capital of the company was \$8.6 mln, assets - \$25.8 mln, financial investments of them totalled \$8.9 mln.
