

# Lonsec Corporate Action Journal

## Cochlear Limited (COH) – Share Purchase Plan

ISSUE DATE: 1-04-2020

<b>Company</b>	Cochlear Limited (COH)	
<b>Portfolio(s)</b>	N/A	
<b>Share price</b>	\$195.50 (COB 01/04/2020)	
<b>Date published</b>	Thursday, 2 April 2020	
<b>Corporation action type</b>	<p>Share Purchase Plan (SPP)</p> <ul style="list-style-type: none"> <li>• Following the completion of its \$800 million institutional placement, COH is seeking to raise approximately \$50 million via a non-underwritten SPP.</li> <li>• Under the SPP eligible shareholders can apply for either \$1,000, \$2,500, \$5,000, \$7,500, \$10,000, \$12,500, \$15,000, \$20,000, \$25,000 or \$30,000 worth of new equally ranked ordinary COH shares, at the lesser of \$140/share or the VWAP price of COH shares traded on the ASX, during the 5 trading days up to the close of the SPP, less a 2.0% discount.</li> <li>• Participation is optional and there are no participation or brokerage costs payable.</li> <li>• COH may scale back applications.</li> <li>• The capital raising will be used to strengthen COH's balance sheet to enable it to navigate the current market uncertainties caused by the COVID-19 pandemic.</li> <li>• The offer is currently open and closes on 23 April 2020.</li> <li>• Refer to the SPP booklet for further information.</li> </ul>	
<b>Offer price</b>	\$140/share	
<b>Lonsec comments</b>	<p>COH updated the market in March 2020 that the rapidly evolving COVID-19 pandemic is expected to cause significant disruptions to COH's business as elective surgeries are deferred across numerous countries. In conjunction with this, COH outlined the US District Court patent infringement damages awarded against COH were upheld.</p> <p>COH is raising \$850 million to enhance its liquidity and to position the company for future growth. Post the raise, COH will have pro-forma Net Cash of \$636 million and total liquidity of \$1.7 billion. COH has also secured covenant relief from lenders up to June 2021. The strengthened balance sheet provides COH with the capacity to fund patent infringement damages award of US\$280 million and help mitigate any disruptions from COVID-19.</p> <p>Despite the growing uncertainty surrounding the impacts of COVID-19 Lonsec remains comfortable with COH's long-term outlook. COH is the global leader in implantable hearing solutions, with an estimated market share globally of ~60% and expects most of the deferred demand to be realised once elective surgeries recommence. The capital raising allows COH to enhance its liquidity position, which will allow it to retain key employees and continued investment in key R&amp;D and capex programs, whilst providing capacity to cover disruptions caused by COVID-19.</p>	
<b>Lonsec recommendation</b>	The offer price represents a 40% discount to the closing price on 1 April and is at a 17% discount to Lonsec's fair value of \$164.06. Providing the offer price is below the share price, Lonsec recommends that investors <b>TAKE PART</b> in the SPP.	
<b>Important dates</b>	Record date	24 March 2020
	Opening date	1 April 2020
	Closing date	23 April 2020
	Issue date	30 April 2020
	New shares commence trading	1 May 2020

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### Analyst

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### Approved by

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