



PRESS RELEASE

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The bonds are more attractive to raise capital

Unsteady economic situation and business restart require quick, simple and feasible solutions. Nevertheless, help to recover the business activity does not have to lie only in hands of the government, or a bank. According to results from survey realised by CDCP SR, acceptable solution for companies appears to be also issuing of bonds, which often are more attractive and accessible option for some businesses than credit financing.

Bond as accessible form of financing

Although issuance of securities is common for companies in foreign countries, the Slovak companies are noticeably lagging behind in this sphere. According to Martin Wiedermann, the Managing Director of CDCP SR, absence of information and experience with issuance of securities may also be the reasons. Results from the survey realised by CDCP SR showed that acquiring of financial means for development of company, or financing of specific projects were for issuers the most frequent reasons to issue bonds. Based on the survey *“the issuers appreciate that bonds are tradable both on, and outside the regulated market. Contrary to a bank credit financing, issuing of bonds brings the issuer to attention of the public”*, says Wiedermann.

Trustworthy cash-flow and sustainable business model

Existence of sustainable business model at the moment of issuance of bonds is important as a condition for future redemption of bonds. This fact has been confirmed also by independent financial agents. *„The most important step for an investor is to get the picture on condition of the company issuing the bonds”*, says Ondrej Broska, the partner of TOWER FINANCE. *“In practice, the issuer redeems the bond principal by paying off the nominal value to the investors on the bond maturity date set in the issuance terms”*, adds Wiedermann. The banks, as the most common source for business financing, usually do not finance 100% of the business project, but only its part. Therefore is necessary that also other additional resources are available to companies. When the risk profile of a company is being assessed by the bank, optimal is if different elements contribute to the company finances, the owners, management, and in the best case, also the investors. In such case the bank assesses risk profile of a company more positively, so to obtain the credit is less complicated for the company. *“As regards the assessment performed by CDCP SR, the company has to comply with number of criteria as integrity, financial status of the company, and it is verified whether resource are not used for criminal activity. All these conditions are usually met without difficulty by all standard companies”*, explains Wiedermann. *“Therefore we recommend to review the company thoroughly and, first and foremost, to analyse its revenues, profit, or eventual debts and strategy”*, advises Ondrej Broska.

Government versus corporate bonds

Whilst in the past revenues from bonds lower than 10% were not interesting, today the situation is different. *“As possibilities to obtain credit with low interest rate are growing, naturally the revenues from debt securities shall decrease as well,”* states Wiedermann. But in general applies, that the

government bonds are considered safer compared to the corporate bonds. However, according to Ondrej Broska, setback for the government bonds is their rather low appreciation, what makes them less attractive. „*In some cases the yields are actually negative. In accordance with our experience the investors reach after the corporate bonds more and more often. They embody higher risk, but on the other hand, they also offer more interesting returns to the investors*“, pointed out Broska. And that is, according to Broska, another reason why demand for the corporate bonds increases.

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