

# Overview of Nyrstar's EUR 490M Rights Issue

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19 March 2012



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## I. Nyrstar at a Glance

- II. Transaction Context
- III. Transaction Overview and Timetable
- IV. Pricing Considerations
- V. Trading
- VI. Summary

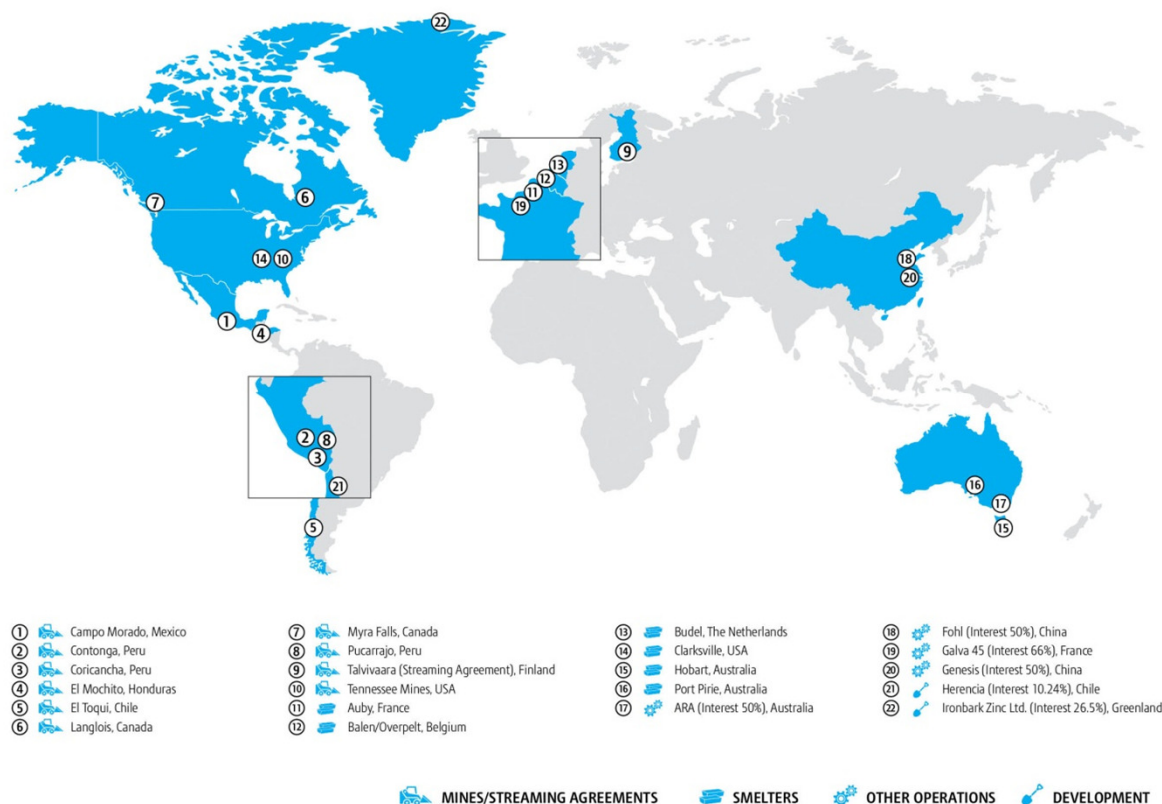




## Nyrstar at a glance

Nyrstar is an integrated mining and metals business, with market leading positions in zinc and lead, and growing positions in other base and precious metals; essential resources that are fuelling the rapid urbanisation and industrialisation of our changing world. Nyrstar is incorporated in Belgium and has its corporate office in Switzerland. Nyrstar is listed on NYSE Euronext Brussels under the symbol NYR, and is a member of the BEL20 and Eurostoxx 600

- One of the world's largest integrated zinc producers
  - 1.1 million tpa zinc metal
  - 475,000 tpa zinc in concentrate<sup>1</sup>
- Market leading position in lead
- Expanding multi-metals footprint
  - Growing production of copper, gold, silver and lead
- Nine mining operations
- Six smelters
- Employing over 7,000 people across five continents

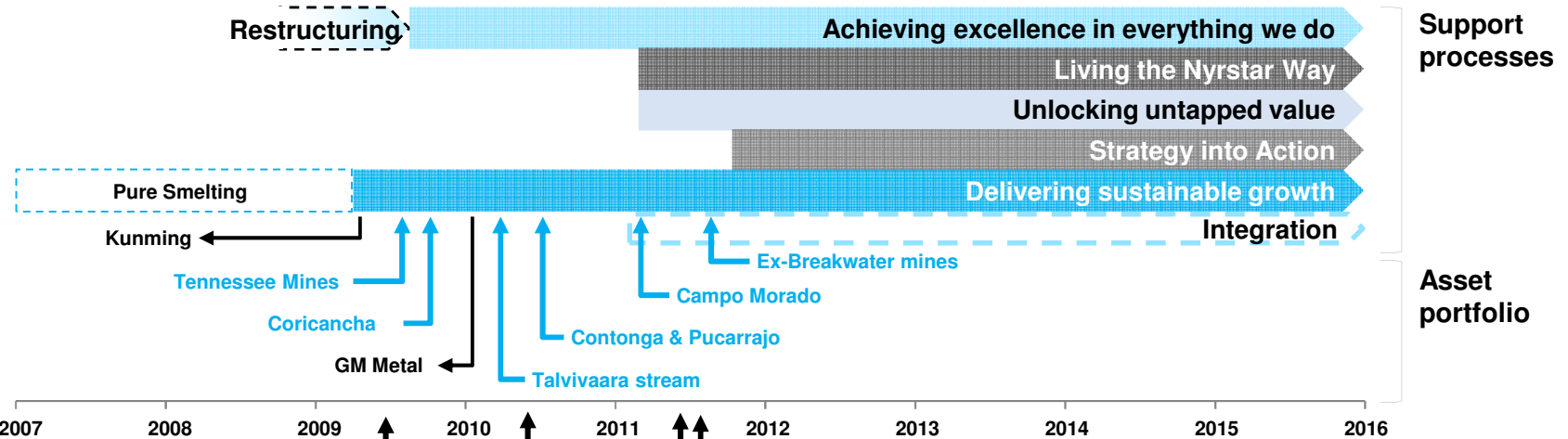
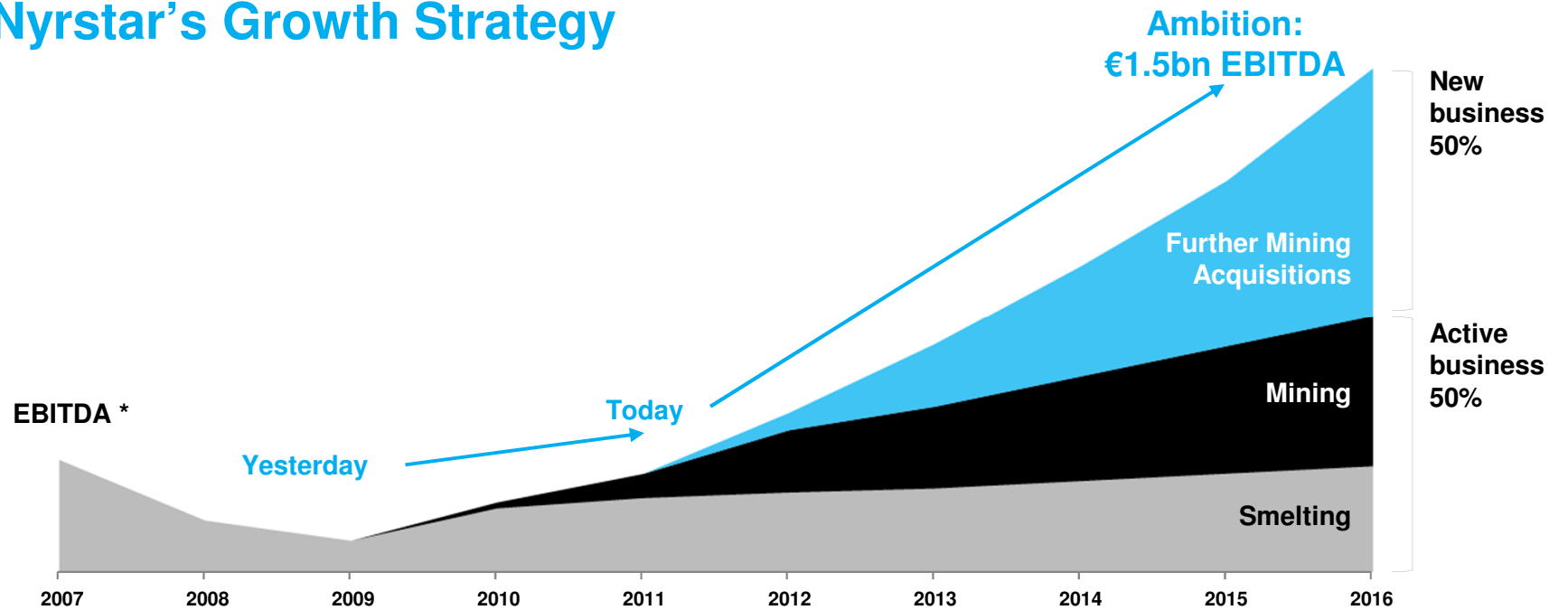


<sup>1</sup> Based on full production of mining assets. Compared against Brook Hunt's 2011 zinc mining company rankings (Long Term Outlook Zinc, Q4 2011)

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# Nyrstar's Growth Strategy



Convertible Bond (€120m)

SCTF (now €500m) Public Bond (€225m)

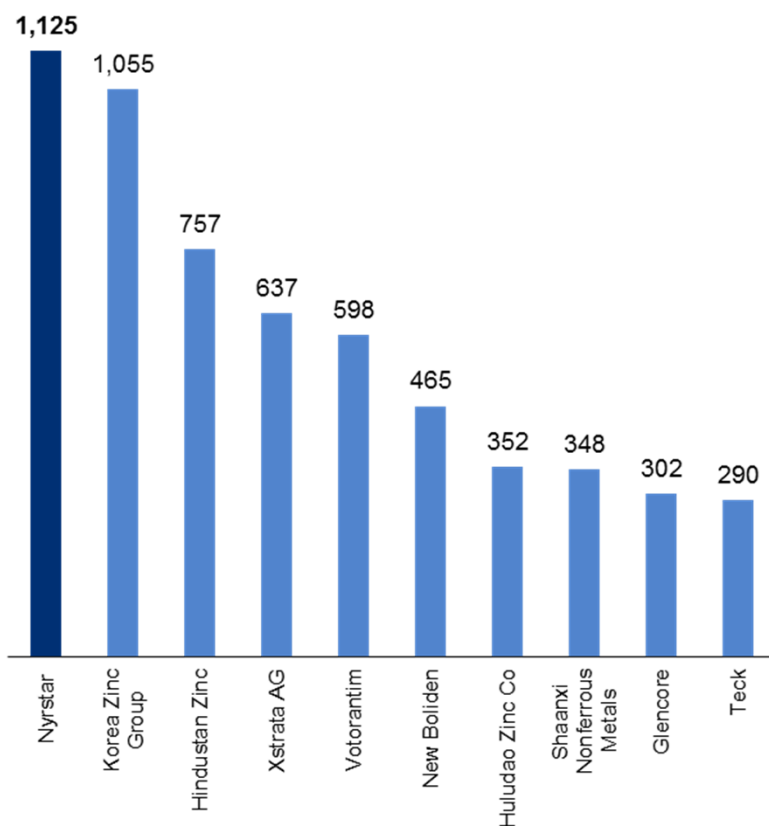
Rights Offering (€490m)

Public Bond (€525m)

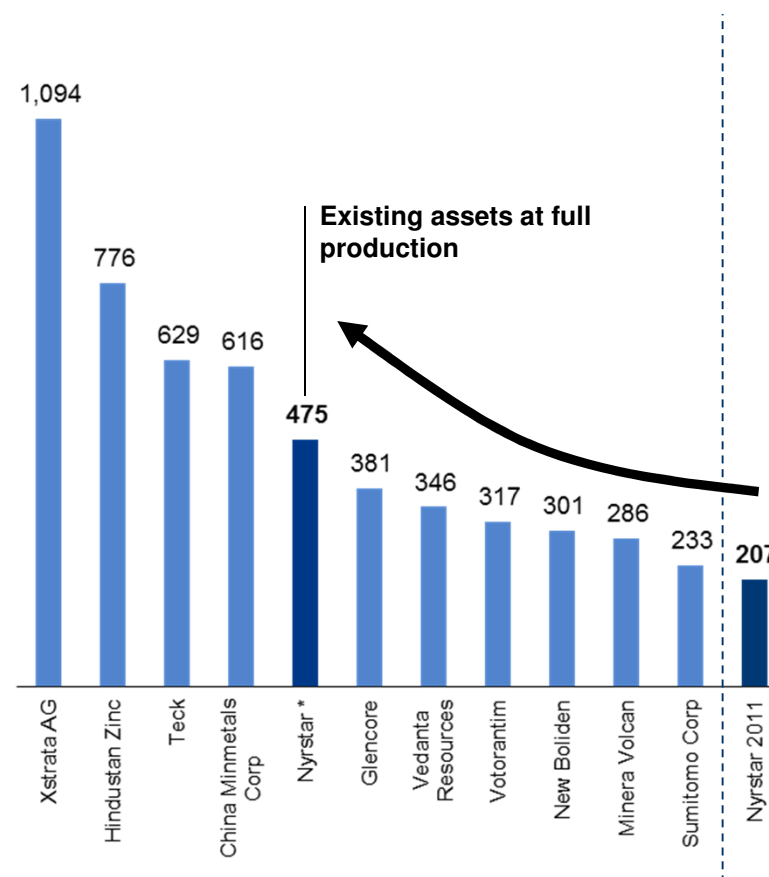
\* EBITDA growth profile at constant prices and exchange rates and is shown for illustrative purposes only

## Increased exposure across the zinc value chain, further positioning Nyrstar to take full advantage of strong zinc industry fundamentals

One of the world's largest zinc smelters (kt pa)



Top five zinc miners (kt pa)



Source: Brook Hunt 2011 mine and smelter production rankings (Long Term Outlook Zinc, Q4 2011). Nyrstar actual 2011 production included  
 \* Based on full production of mining assets

## Considerations

- Upstream expansion strategy suggested to increase equity base of the company
- Strong Belgian retail investor base suggested method that would allow participation by this investor segment
- Fractional value of approx. €15 / share required shareholder approval process for the offering despite existing authorized capital (€400M)
- Concern of “blank check to management” to be addressed via link to M&A announcement
- Shareholder approval process and availability of recent financial information suggested launch together with release of FY 2010 results



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## Rights Offering Summary Timetable

### Extracts from Nyrstar Press Releases

#### The Announcement (15-Nov-2010)

- “Nyrstar today announced that it has published a notice to convene an extraordinary general shareholders’ meeting to vote on a proposal to permit a rights offering in an amount of up to €500 million.”
- “The board of directors will further determine the timing and terms of the offering, depending on market conditions and other factors at that time. The final terms of the offering, including the final size of the offering, the issue price, the number of shares to be issued, and the subscription ratio, shall be announced immediately prior to the actual launch of the rights offering.”

#### The Launch (24-Feb-2011)

- “Following the approvals granted by the extraordinary general shareholders’ meeting of Nyrstar held on January 6th, 2011, Nyrstar today announced the launch of a rights offering in the amount of €490,064,974.00 corresponding to 70,009,282 new shares at a subscription price of €7.00 per new Share at a ratio of 7 new Shares for 10 Rights.”
- Nyrstar’s three largest shareholders, BlackRock Group, Glencore and Umicore, have reiterated their support for the offering.”

#### The Results (15-Mar-2011)

- “Nyrstar announced today that 95% of the total number of 70,009,282 new Nyrstar shares offered pursuant to its rights offering in the amount of €490,064,974.00 have been subscribed at €7.00 per new Shares.”
- The 4,962,562 Rights that have not been exercised at the end of the Rights Subscription Period will be converted into an equal number of scrips. The Joint Bookrunners will offer and sell the Scrips through an accelerated bookbuilding procedure in an institutional offering.”

# Rights Offering Termsheet

## Offering Size

- €490 million
- 70m shares to be subscribed, representing 70% of the shares outstanding

## Subscription Price

- €7.0 per share, paid in for cash

## Structure

- Share issuance with preference rights to existing shareholders
- 1 right per existing share after market close on February 24, 2011
- 10 rights enable to subscribe to 7 new shares
- Each new share to be accompanied by one VVPR strip issued by Nyrstar

## Use of Proceeds

- The net proceeds of the Offering were used to further diversify Nyrstar's funding sources and strengthen its balance sheet liquidity, and to fund organic or external growth opportunities as they may arise, consistent with Nyrstar's strategy

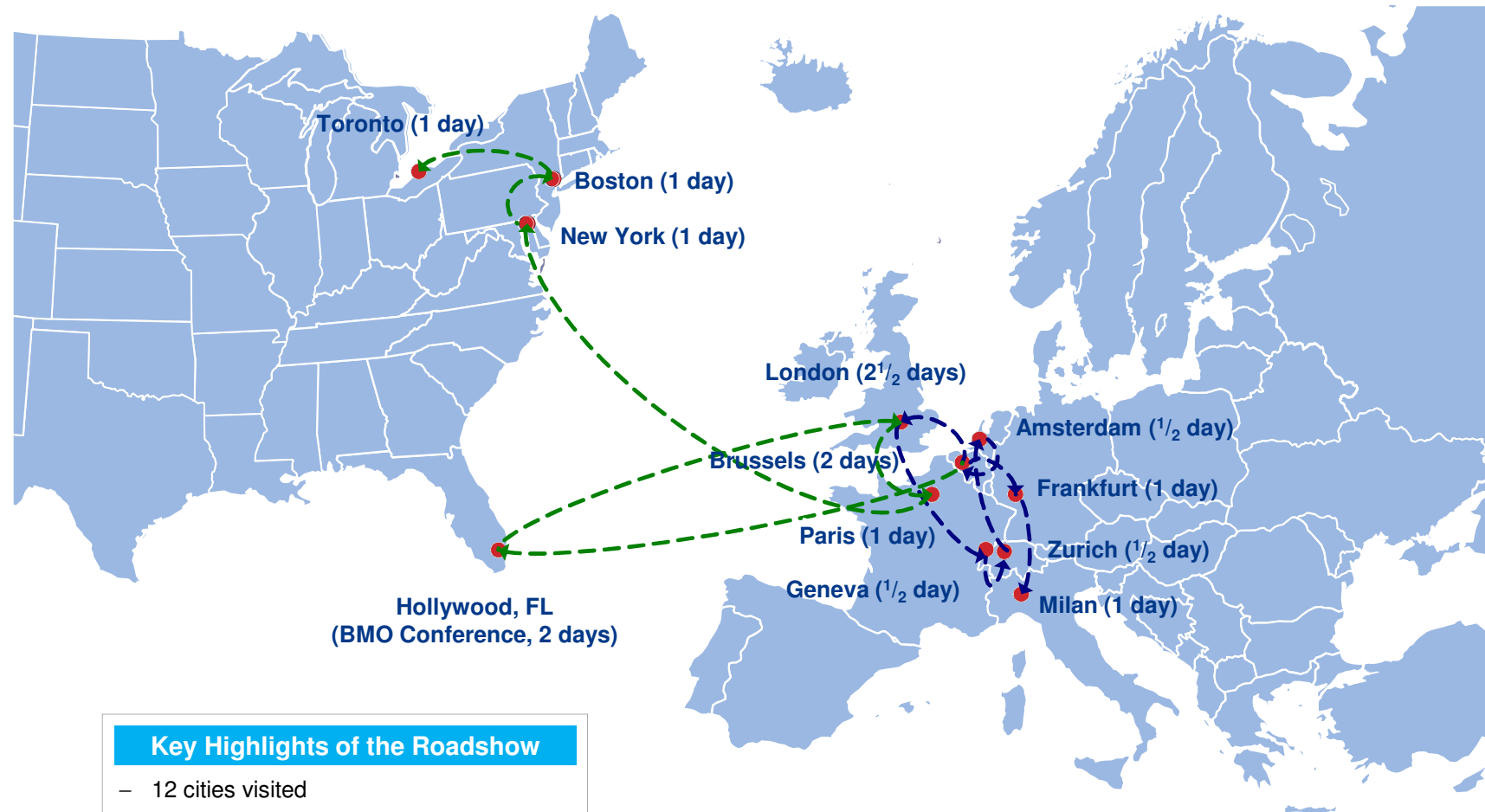
## Underwriting

- The rights issue was fully underwritten by a syndicate of banks

## Documentation

- Prospectus approved by the FSMA

## An Extensive Marketing Effort - Nyrstar 2-Week Roadshow



### Key Highlights of the Roadshow

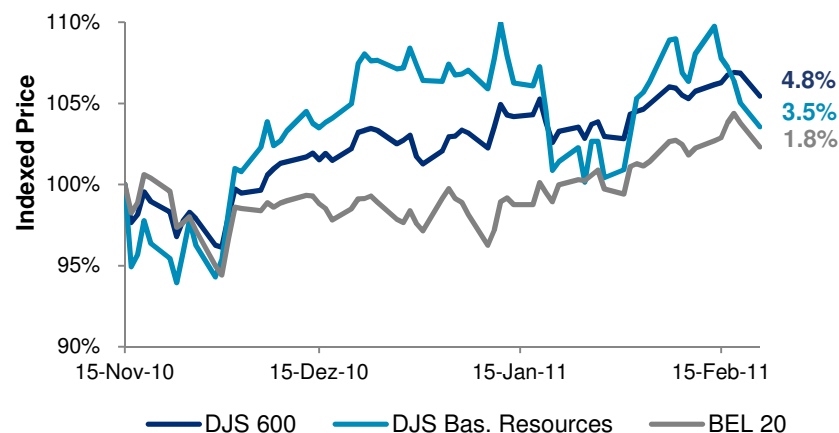
- 12 cities visited
- 53 1x1 meetings and 8 group events
- 124 investors met
- Retail event in Brussels: 400 people





# Market Environment at the Time of Launch (Feb 2011)

## Performance of Key Indices (Nov 2010 to Feb 2011)



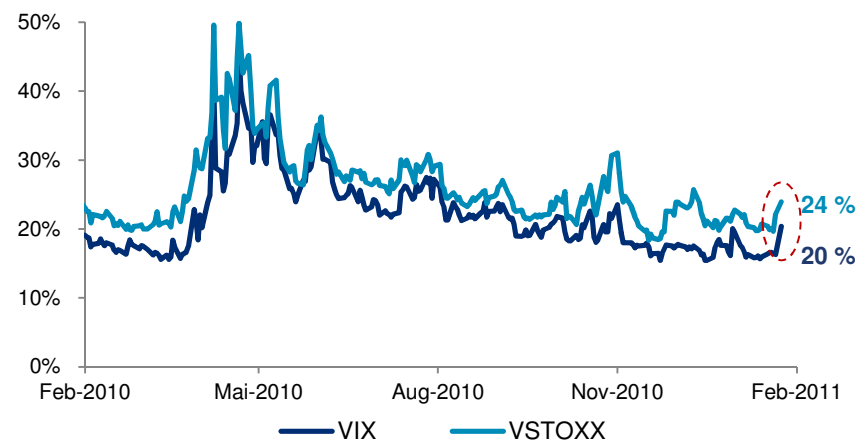
## Prevailing Macroeconomic Themes

- **Bull Case**
  - Strong global economic growth expected in 2011, mainly driven by BRIC countries
  - Strong start of earnings season with corporate earnings outperforming so far
  - Favourable asset allocation: equity fund flows continue their upward trend
- **Bear case**
  - Risk of slowdown of emerging market economies
  - European sovereign debt crisis
  - Inflation risk
  - Unfolding geopolitical events in the Middle East and North Africa

## Sector Performance

	LTM	Since 15-Nov	2011 YTD
Banks	11.6%	4.4%	11.6%
Utilities	4.6%	3.5%	5.3%
Media	24.6%	4.8%	3.7%
DJ Stoxx 600	19.3%	4.8%	3.5%
Metals and Mining <sup>1</sup>	27.7%	5.5%	1.0%
Industrial Goods & Service	38.5%	7.2%	0.4%
Retail	11.1%	(2.6)%	0.1%
Healthcare	6.6%	2.2%	(0.0)%
Travel & Leisure	24.0%	3.1%	(1.0)%
Basic Resources	32.4%	3.4%	(2.7)%

## Evolution of Market Volatility



Source: Bloomberg as of 22-Feb-2011.

<sup>1</sup> Nyrstar peer Group: Nyrstar, Boliden, Chelyabinsk Zinc, Aurubis, KoreaZinc, Hindustan, Jiangxi Copper, Mitsui Mining & Smelting, Paranapanema

# Key Principles to Set the Rights Offering Discount

## TERP Discount Neutral to Shareholders

- The value of the subscription right compensates existing shareholders for the discount of the issue price versus the prevailing stock reference price
  - The higher the discount, the higher the theoretical value of the right received by the shareholders
- From an asset value standpoint, the level of discount is neutral for shareholders whether they exercise their rights and increase the equity position or sell their rights and increase the cash position

## TERP Discount Neutral to Nyrstar

- A rights issue entails an adjustment of the historical stock prices and data per share (adjustment ratio computed by Euronext)
  - This adjustment compensates for the “optical” dilution due to the discount
  - The discount level is neutral in terms of EPS dilution as a result of the subscription right mechanism and the related adjustments

## Key Factors Driving TERP Discount Level

- Nyrstar volatility
- Market volatility
- Length of the risk period
- Use of proceeds
- Potential Shareholder pre-commitment

## Rights Issue has no Economic Impact for Shareholders

- Exercising ALL the subscription rights will require additional cash investment
- Selling ALL the rights will reduce the equity stake but increases the cash position
- Selling a portion of the rights to fund the exercise of the remaining rights can result in an identical economic holding in the company

### Capitalization Pre to Rights Issue

Number of Shares (m)	100.01
Market Cap. (€m)	1,158
Share Price (€, VWAP of 23-Feb-2011)	11.58

### Assuming a €490m Rights issue

Indicative Disc. To TERP	30.0%	40.0%
Number of New Shares (m)	74	98
Subscription Price (€)	6.64	4.99
TERP (€)	9.5	8.3
Value Per Right (€)	2.1	3.3
Total Number of Shares (m)	174	198
Market Cap post Rights Issue (€m)	1,648	1,648

### 10% Shareholder (Pre Rights Issue)

Stake Value Pre Rights (€m)	116	116
Number of Shares held pre Rights (m)	10	10
Shares to Subscribe (m)	7.4	9.8

### 1. Subscribe for ALL New Shares/ Sell NO Rights

New Number of Shares (m)	17.4	19.8
Value of the Position (€m)	165	165
Cash Invested (€m)	49	49
Cash Adj. Position (€m)	116	116

### 2. Subscribe for NO New Shares/ Sell ALL Rights

New Number of Shares (m)	10.0	10.0
Value of the Position (€m)	95	83
Cash Received (€m)	21	33
Cash Adj. Position (€m)	116	116

### 3. Opération Blanche

New Number of Shares (m)	12.2	13.9
Value of the Position (€m)	116	116
Cash Invested (€m)	15	20
Cash Received (€m)	15	20
Cash Adj. Position (€m)	116	116

# Pricing Considerations

## Indicative Parameters for a Nyrstar Rights Issue

Assumptions	
Reference Price (VWAP of 23-Feb-2011)	€11.58
Shares Out.	100.01m
Market Cap.	€1,158m

- TERP Calculations**
- The TERP is an average of the share price pre rights issue and the subscription price, weighted by the number of shares outstanding pre rights issue and the new number of shares issued
  - $$\text{TERP} = \frac{\text{Market Cap Pre-Rights (€)} + \text{Rights Issue (€)}}{\text{Total Shares Outstanding Post Rights Issue}}$$

### Indicative Rights Issue Parameters Depending on the Parity and Issue Price

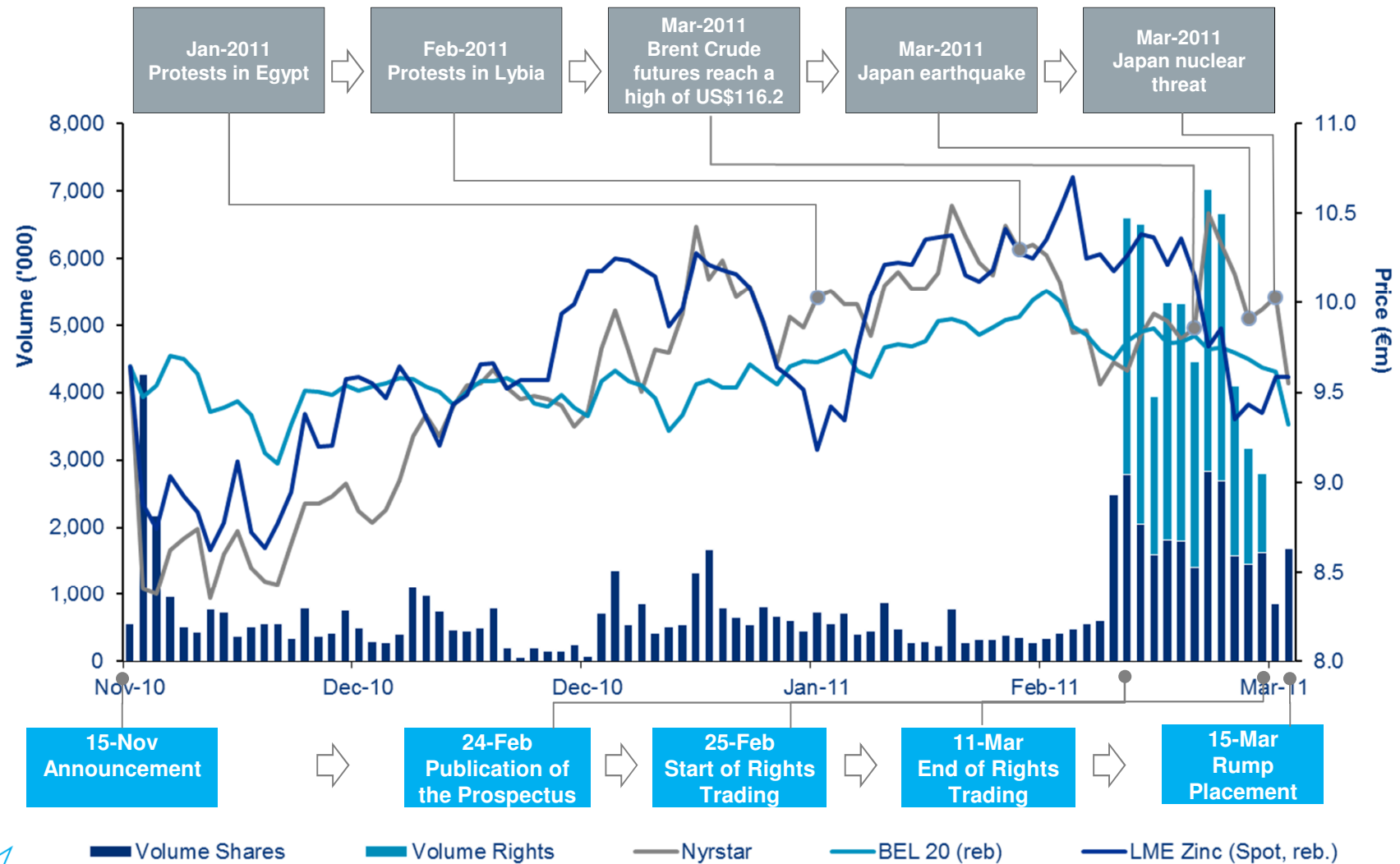
X new shares	11	7	7	5	5	11	3	7
Subscription Parity: for Y existing	16	10	10	7	7	15	4	9
Issue Price (€)	7.15	7.10	7.00	6.95	6.90	6.80	6.60	6.40
Implied TERP (€)	9.8	9.7	9.7	9.7	9.6	9.6	9.4	9.3
Implied Rights Value (€m)	1.8	1.8	1.9	1.9	1.9	2.0	2.1	2.3
Implied Discount to TERP	(26.9)%	(27.1)%	(27.8)%	(28.0)%	(28.3)%	(28.9)%	(30.1)%	(31.3)%
Nominal Discount	38.3%	38.7%	39.6%	40.0%	40.4%	41.3%	43.0%	44.7%
Implied Issue Amount (€m)	491.6	497.1	490.1	496.5	492.9	498.7	495.1	497.8
New Shares Created (m)	68.8	70.0	70.0	71.4	71.4	73.3	75.0	77.8
in % Shares Out.	69%	70%	70%	71%	71%	73%	75%	78%

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# Share Price Performance from Announcement to Completion



# Trading of the Rights During the Subscription Period

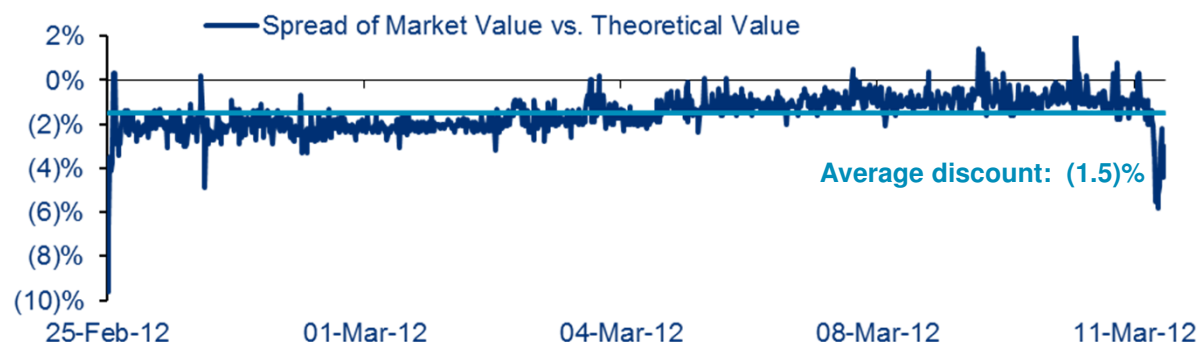
## Trading of the Right: Price and Volume



## Key Comments

- The rights trading volumes were relatively low compared to similar transactions due to the high proportion of retail investors in the shareholder base
- However the right was relatively well arbitrated, overall trading at a slight discount to its theoretical value.

## Rights Spread vs. Theoretical Value<sup>1</sup> (25-Feb to 11-Mar)



<sup>1</sup> Premium/Discount at which the rights were trading versus the theoretical value based on the Nyrstar stock price

Source: Bloomberg for all data

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## Summary

- Largest Belgian equity raising since the AB-Inbev rights issue in December 2008
- Well-received by shareholders with key shareholders BlackRock (9.96%) and Glencore (7.79%) publicly expressing their pro-rata take up pre-launch and a 95% take-up rate
- Positive share price performance since announcement and during offer period: stock up 7.2% and 5.1% from announcement and from launch of terms to closing of rump placement respectively
- Robust positive stock performance achieved notwithstanding widespread risk aversion and contagion caused by sovereign peripheral concerns, escalating unrest in the MENA region and implications from the earthquake in Japan
- Low recycling rates among existing shareholders, taking into account the recycling on Nyrstar's treasury shares and by Umicore

# Investor feedback

## Size

Although some accounts mentioned the large relative size of the rights issue, the market generally was comfortable with the size

Nyrstar's aversion to financial leverage seen as a positive

Management's track-record on M&A provides comfort on sizing rights issue

## Timing

Investors recognised that the rights issue provided an attractive entry valuation for the stock

A lot of re-engagement from accounts that had sold out of Nyrstar recently

Some confusion as to the timing as some accounts questioned why Nyrstar issued shares at current valuations

## Use of proceeds

Key concerns centred around:

- rights issue gives management a €490m blank check
- some investors would have liked additional detail on M&A targets, investment criteria and net debt levels
- execution risk on future transactions (overpaying and integration risk)

The market was widely comforted by management's track record in M&A and the rights issue being considered as a logical follow-on from its strategy

The conservativeness of Nyrstar's acquisition strategy is appreciated: low cash cost, producing or near producing assets

## Nyrstar strategy

Investors are very supportive of Nyrstar's vertical integration strategy and see the potential to eliminate the discount traditionally associated with smelting businesses

More profitable and less capital intensive

Reduction of earnings volatility

High degree of confidence in management to lead further progress on stated strategy