

# Basic overview of corporate actions in Patria Finance

## What are corporate actions?

Corporate actions are important events in the life of companies, which can significantly influence their investors, are capable of pre-determine the future price of the stock, they can have an impact on the structure of the firm and can influence the future financial results. For investors they are major events, which they should watch out for, and should fully understand them.

Most of corporate actions are happening on the decision of the company's board of directors, some are afterwards approved at the general assembly meeting.

Clients of Patria Finance are informed of most corporate actions taking place in their portfolios by email with a detailed description of the given corporate action to the extent that information is provided to Patria by the depository or custodian. Clients can also find detailed information about the given corporate action in the **WebTrader** trading application in the **Portfolio/Corporate actions/Corporate action** section (4th column in the table for the relevant action). If clients do not wish to receive information about corporate actions by e-mail, they can opt out of receiving these e-mails in their account settings in the **WebTrader** trading application. You can find the settings in the section **My profile/Settings/Corporate action settings**. However, since this is often very important information, we recommend that you keep sending emails about corporate events active.

## Basic corporate actions categories

Corporate actions can be divided according to whether the investor has the choice to participate in the given corporate action or is obliged to participate in it since he owns the given stock. In this way, we can divide corporate actions into mandatory, mandatory with choice and voluntary corporate actions.

### 1. Mandatory

These are corporate actions that will happen whether the client wants it or not and he has no influence on their course. At the same time, he is not required to respond to them in any way. These actions are in particular:

- ♦ **Cash dividend** – this is the most common corporate action. A cash dividend is paid to the client on his business account in Patria. The client can find an overview of received dividends in the **WebTrader** trading application in the section

**Trading/Activity history/Overview type (Cash flow)/Type of payment (Dividends)** with the flag "Dividend Payment". In the documents for tax declaration in the section **My Profile/Documents for tax declaration**, you will find received dividends in the category **Revenues from capital assets according to §8 of Tax law** in the "**Dividends**" report.

- ♦ **Capital distribution** – in this corporate action, the client receives cash in his portfolio according to the volume of securities held. Unlike the payment of a cash dividend, this action is marked as "**Corporate Action - Deposit**" in the Cash flow report in the **WebTrader** trading application. In documents for tax declaration in the **My Profile/Documents for tax declaration** section, you can find these deposits in the category **Other income according to §10 of the Tax law** in the report "**The statement of cash deposits from corporate actions**".
- ♦ **Change of the company's business name/ticker/ISIN** - as a rule, Patria finance does not notify clients of these corporate actions, as they have practically no effect on the share price and no cooperation is required from clients. This corporate action will be reflected in the client's portfolio only in that the original name of the security is replaced by a new name, the same usually applies to the ticker and ISIN.
- ♦ **Merger (acquisition)** – in these corporate actions, two similarly sized companies merge into one, creating a completely new company (merger) or a larger company takes over a smaller company, the smaller company ceases to exist and both companies continue to exist together under the name of the larger company (acquisition). In these cases, the clients' securities of the original company are usually replaced by securities of the new company in a certain ratio. In some cases, however, new shares are not credited, but clients receive cash for the shares of the spun-off company (so-called **cash merger**). In such a case, the cash is credited with the label "Corporate action - deposit".
- ♦ **Spin-off** – in this corporate action, a part of the company is split off. The investor's trading account is usually loaded with new shares of the newly created company, and the value of the shares of the original company usually falls by the value of its spun-off part.
- ♦ **Stock split** – companies usually take this corporate action because the price of their shares has increased over time to such an extent that it is already too high for retail investors. The goal is therefore to reduce the price of the share and thus increase its attractiveness for small investors and, at the same time, its liquidity on the market. After a stock split, the price of a share decreases and the number of such shares in the free float increases accordingly. The company's market

capitalization will remain unchanged. The number of shares in the client's portfolio with a proportionally lower price will accordingly increase.

- ◆ **Reverse stock split** – the reverse case of a stock split is a reverse stock split. This happens when, on the contrary, the share price is too low, and the company decides (or is forced by circumstances) to increase the share price and correspondingly reduce the number of issued shares. The market capitalization, as in the previous case, remains the same. Firms may resort to reverse stock splitting due to the fact that, thanks to the low price, they are in danger of being excluded from trading on the main floor of the given stock exchange. This corporate action is usually not evaluated positively by investors and is often a warning signal. The number of these shares will be reduced in the client's portfolio with a corresponding increase in the price per share.

## 2. Mandatory with choice

In these corporate actions, the client has a choice of several options as to how to participate in the given corporate action.

- ◆ **Dividend option** – in this corporate action, the client has the choice of receiving the dividend in cash (mostly the default option) or choose to receive the dividend in the form of shares of the company. In the **WebTrader** trading application, in the **My profile/Settings/Corporate action** settings section, clients can choose how these corporate actions should be approached, i.e. whether the client wishes to receive dividends in cash or in the form of shares. This choice will then be automatically applied to these corporate actions, unless the client chooses otherwise. If the client would like to change the dividend payment option for a specific share, but leave the default settings, he can do so for the given corporate action in the **WebTrader** trading application in the **Portfolio/Corporate actions/Corporate actions** section (4th column in the table for the relevant share).
- ◆ **Dividend reinvestment** – this corporate action is very similar to the option dividend action. The client again has the choice of receiving dividends either in cash or reinvesting them in the securities of the given company. In some cases, however, for this corporate action, the share credit ratio is not known in advance, because the issuer first collects client requests for the issue of new shares and then buys the shares for this cash.

### 3. Voluntary

The last category of corporate actions are voluntary actions. Compared to the previous two categories, it is up to clients whether they want to participate in the given corporate action or not. When uploading these corporate actions in the **WebTrader** application, the option **"No action"** is preset, because Patria cannot predict for the client what actions he wants to take.

- ♦ **Right issue** – this is an issuer's offer to issue new shares at a generally more favorable price than the current market price. The **rights** (either tradable or non-tradable) to issue new shares are uploaded to the client's portfolio in the **WebTrader** trading application. When it comes to non-tradable rights, the client has two options. Either not to participate in the corporate action, at that moment he doesn't have to do anything, the default option **"No action"** will take care of everything, or participate in the action, at that moment it is necessary to select the option **"Exercise"** after clicking on **"Right issue"** in the **WebTrader** trading application in the **Portfolio/Corporate actions/Corporate action section** (4th column in the table for the relevant share). To carry out such an operation, the client must have sufficient funds on the account on the given business day, which is specified in the details of the corporate action, or, in the event that he does not have sufficient funds in the given currency but has sufficient funds in other currencies, he must have the **Automatic currency conversion** option enabled (**My Profile/Settings /Products and permissions/Automatic currency conversion - Active**).

If the rights are tradable, the client has two more options. He can sell the given rights at the current market price in the **WebTrader** trading application in the **Portfolio** section via the **S** button next to the given right (usually called the name of the company with the word RIGHT). However, the client may also decide to subscribe for more shares than the rights he owns entitle him to. In that case, he can buy additional rights on the market at the current market price via the **B** button and then exercise both the originally uploaded and newly acquired rights at once in the **WebTrader** trading application in the **Portfolio/Corporate actions/Corporate actions** section (4th column in the table for the relevant share) by clicking on **"Right issue"** and choose the option **"Exercise"**

There is one risk with tradable rights. **If the client does not take any action within the specified period, i.e. neither exercises the right to subscribe for new shares nor sells the rights, the value of the rights will be forfeited after the specified period.**

- ♦ **Buyback tender offer/repurchase offer** – in this corporate action, the issuer or a third party offers to buy back a security at a generally more favorable price than its current market price. As with all other corporate actions, the client can participate in it through the **WebTrader** trading application in the **Portfolio/Corporate actions/Corporate actions** section.

- ♦ **Exchange offer** – in this corporate action, the issuer or a third party offers the investor to exchange existing securities for other securities or for cash or a combination of both. Each such corporate action is unique, and it is necessary to read carefully what is being offered to the investor within the given corporate action.

## Conclusion

In addition to the corporate actions described above, other corporate actions may also occur, but they are not so frequent. Some are created by a combination of the above mentioned, so it is often true that each corporate action is an original. Patria Finance does everything to ensure that its clients receive all the necessary information for each corporate action. Even so, it may happen that it is not clear at first glance how the client should behave from the information email or from the description of a specific corporate action in the **WebTrader** application. If you have any doubts or questions, you can contact us by phone on working days from 9 a.m. to 5 p.m. on the VIP Customer care line **221 424 142** or by e-mail at [patria@patria.cz](mailto:patria@patria.cz).