

# New Preferred Stock IPOs, July 2021

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## Summary

- As July 2021 comes to a close, we look back at the new preferred stocks and ETDs introduced during the month, offering annual yields ranging from 4% to 10.5%.
- Here is a comparison against highest quality preferred stocks in our coverage universe, as ranked by our internal "CDx3 Compliance Score" metric:
- CDx3 preferreds ranked 10 out of 10 are meanwhile selling for an average premium to par of 7.3% and offer an average current yield of 5.17%.
- Past preferred stock IPOs now trading below par: A look at the preferred shares of Hoegh LNG Partners LP (NYSE: HMLP).



Sezeryadigar/E+ via Getty Images

## New Preferred Stocks, July 2021

SEVENTEEN NEW ISSUES

Symbol	Div Rate	Last Price	Yield		S&P	Exchange	Status
			CY	YTC EAR			
SIVCV	5.375%	\$24.90		5.40%	BBB-	OTOTC	
COFNV	4.250%	\$24.80		4.28%	BB	OTOTC	QDI
PEBBP	5.700%	\$25.35		5.62%	NR	OTOTC	
WFC-D	4.250%	\$25.05		4.24%	BB+	NYSE	QDI
FRC-M	4.000%	\$24.94		4.01%	NR	NYSE	
SHO-I	5.700%	\$25.59		5.57%	NR	NYSE	
SF-D	4.500%	\$25.46		4.42%	BB-	NYSE	QDI
AUVIP	10.500%	\$24.67		10.64%	NR	NCM	QDI
PSEC-A	5.350%	\$24.82		5.39%	BB	NYSE	
<b>METCL</b>	<b>9.000%</b>	<b>\$25.82</b>		<b>8.71%</b>	<b>NR</b>	<b>NGS</b>	
RNR-G	4.200%	\$25.60		4.10%	BBB	NYSE	QDI
<b>AIN</b>	<b>6.000%</b>	<b>\$24.85</b>		<b>6.04%</b>	<b>NR</b>	<b>NYSE</b>	
CTO-A	6.375%	\$25.61		6.22%	NR	NYSE	
NYMTL	6.875%	\$24.83		6.92%	NR	NGS	
CDZIP	8.875%	\$24.95		8.89%	NR	NGM	QDI
SPNT-B	8.000%	\$29.64		6.75%	BB+	NYSE	
<b>SNCR</b>	<b>8.375%</b>	<b>\$25.38</b>		<b>8.25%</b>	<b>NR</b>	<b>NGS</b>	

Source: CDx3 Notification Service database, PreferredStockInvesting.com

Green text indicates Exchange Traded Debt securities

NF, NR mean Not Found, Not Rated

Data date: July 29, 2021

## About the new issues

Insurance and reinsurance provider SiriusPoint (NYSE: [SPNT](#)) priced an offering of 5 million shares of new series B cumulative preferred stock, offering a resettable dividend rate that starts at 8% and resets beginning in 2026 to the 5-year US Treasury rate plus 7.298%. The new shares were rated BB+ by both S&P and Fitch, both with negative outlooks. The new shares traded temporarily on the OTC exchange under the symbol SRSPF, before moving to permanent symbol SPNT-B on the New York Stock Exchange.

CTO Realty Growth (NYSE: [CTO](#)) priced an offering of 3 million new series A cumulative preferred shares, offering a fixed dividend rate of 6.375%. The company indicated that proceeds would go towards property acquisitions and repayment of debt. The new shares are unrated, and traded temporarily on the OTC exchange under the symbol CTOPP, before moving to permanent symbol CTO-A on the New York Stock Exchange.

Cadiz (NASDAQ: CDZI), a company focused on water resources with ownership of 70 square miles of property in Southern California, priced an offering of 2 million series A cumulative preferred stock, offering a fixed dividend rate of 8.875%. The company indicated that proceeds from the offering, will go towards repayment of debt. The new shares are unrated, and traded temporarily on the OTC exchange under the symbol CDZAP, before moving to the Nasdaq under the symbol CDZIP.

New York Mortgage Trust (NASDAQ: [NYMT](#)) priced an offering of 5 million shares of new series F fixed-to-floating rate cumulative preferred stock, using the proceeds to redeem its previously issued series C preferred shares. The new series F shares are unrated, and offer a dividend rate of 6.875% until 2026, at which point the rate will reset to the Three-Month Term Secured Overnight Financing Rate as published by the Federal Reserve Bank of New York, plus a spread of 6.13%. The new shares traded temporarily on the OTC under the symbol NYMFP, before moving to symbol NYMTL on the Nasdaq.

Synchronoss Technologies (NASDAQ: SNCR), a software company focused on cloud and messaging solutions, priced an offering of \$125 million of new exchange traded senior notes due 2026, offering a coupon of 8.375%. The company indicated that proceeds were used to redeem previously-issued series A convertible preferred shares and to pay down its credit facility. The new notes were rated BB- by Egan-Jones Ratings Company, and trade on the Nasdaq under the symbol SNCRL.

Insurance and reinsurance company RenaissanceRe (NYSE: RNR) priced an offering of 20 million new series G non-cumulative preferred shares, offering a fixed dividend rate of 4.2%. The company indicated the proceeds will be used to redeem its previously-issued series E preferred shares (5.375%). The new series G shares have been rated by both Moody's and S&P, as Baa2 and BBB respectively, both with stable outlooks. The new shares will trade temporarily on the OTC under the symbol RNRRP before moving to permanent symbol RNR-G on the New York Stock Exchange.

Externally managed Business Development Company (BDC) Prospect Capital (NASDAQ: PSEC) priced an offering of 6 million new series A cumulative preferred shares, offering a fixed dividend rate of 5.35%. The new shares were rated Ba2 and BB by Moody's and S&P respectively, and will trade temporarily on the OTC under the symbol PSECV before moving to permanent symbol PSEC-A on the New York Stock Exchange.

Applied UV (NASDAQ: AUVI), a company focused on ultra violet light solutions to destroy pathogens, for applications in healthcare, hospitality, commercial, and municipal settings, priced an offering of 480,000 shares of new series A cumulative preferred stock. The company indicated that a portion of the proceeds will go towards new acquisitions and investments. The new shares are unrated, and offer a fixed dividend rate of 10.5%. Trading will take place temporarily on the OTC under the symbol AUVPP, before moving to the Nasdaq under permanent symbol AUVIP.

First Republic Bank (NYSE: [FRC](#)) priced an offering of \$750 million worth of new series M non-cumulative preferred stock, offering a fixed dividend rate of 4%. The company said it intends to use the proceeds in part towards funding loans or purchasing investment securities. The new shares will trade temporarily on the OTC under the symbol FRBSV before moving to the New York Stock Exchange under the symbol FRC-M.

Sunstone Hotel Investors (NYSE: [SHO](#)), following its successful [preferred offering in May](#) (6.125%), is back in the market with a new series I preferred. This time, the dividend rate on offer is down at 5.7%; proceeds will be used to redeem the previously-issued F series (6.45%). The new shares are unrated, and will trade temporarily on the OTC under the symbol SNSHP before moving to the New York Stock Exchange under permanent symbol SHO-I.

Metallurgical coal company Ramaco Resources (NASDAQ: [METC](#)) priced an offering of \$34.5 million in new exchange traded notes due 2026, offering a coupon of 9%. The company indicated that proceeds will be used for general purposes including future acquisitions. The new notes are unrated, and trade on the Nasdaq under the symbol METCL.

Stifel Financial Corp. (NYSE: [SF](#)) priced an offering of \$300 million worth of new series D non-cumulative preferred shares, with a fixed dividend rate of 4.5%. The company's previously-issued series A preferred (6.25%) just became callable as of 7/15/2021; the B series (6.25%) is not callable until 2024, while the C series (6.125%) becomes callable in 2025. The new series D shares were rated BB- by both S&P and Fitch, and will trade temporarily on the OTC under the symbol STFLV, before moving to permanent symbol SF-D on the New York Stock Exchange.

Mortgage REIT Arlington Asset Investment Corp. (NYSE: [AAIC](#)) priced an offering of \$33.5 million of new 6% senior notes due 2026, and said that the proceeds would be used to redeem its previously-issued 6.625% notes due 2023. The company indicated that it expects an independent credit rating agency to rate the new notes, which will trade on the New York Stock Exchange under the symbol AAIN.

Banking giant Wells Fargo (NYSE: [WFC](#)) priced a monster \$1.25 billion offering of new series DD non-cumulative preferred stock, offering a fixed dividend rate of 4.25%. This new series joins nine other publicly-traded classes of preferred shares in the CDx3 coverage universe, and we noticed that the O series is the only one currently callable, while the X series becomes callable in September of this year. The new DD series will trade temporarily on the OTC under the symbol WFPDV, before moving to permanent symbol WFC-D on the New York Stock Exchange.

Pebblebrook Hotel Trust (NYSE: [PEB](#)) priced an offering of 10 million shares of new series H cumulative preferred stock, offering a fixed dividend rate of 5.7%. The company indicated that it will use the proceeds to redeem its previously-issued series C shares, and potentially its D and E shares as well. Long-time readers may remember that we highlighted Pebblebrook's preferreds in our February 4<sup>th</sup>, 2021 article, [Preferred Stocks For A COVID Recovery](#), when they were trading at a discount to par in excess of 10%. The new series H shares are unrated, and will trade temporarily on the OTC under the symbol PEBBP before moving to permanent symbol PEB-H on the New York Stock Exchange.

Capital One Financial (NYSE: [COF](#)) priced an offering of \$425 million worth of new series N non-cumulative preferred shares, offering a fixed dividend rate of 4.25%. The shares have been rated by all three of Moody's, S&P, and Fitch, at Baa3, BB, and BB+ respectively. The new shares will trade temporarily on the OTC under the symbol COFNV, before moving to permanent symbol COF-N on the New York Stock Exchange.

Silvergate Capital Corporation (NYSE: [SI](#)) priced an offering of \$200 million worth of new series A non-cumulative preferred shares, offering a fixed dividend rate of 5.375%. The new shares were rated by Moody's at Ba3, and by Kroll at BBB-. Trading will take place temporarily on the OTC under the symbol SIVCV, before moving the permanent symbol SI-A on the New York Stock Exchange.

Sources: Preferred stock table: [CDx3 Notification Service database](#).

SEC filings: [SPNT-B](#), [CTO-A](#), [CDZIP](#), [NYMTL](#), [SNCR](#), [RNR-G](#), [PSEC-A](#), [AUVIP](#), [FRC-M](#), [SHO-I](#), [METCL](#), [SF-D](#), [AAIN](#), [WFC-D](#), [PEB-H](#), [COF-N](#), [SI-A](#)

## **Buying new shares for wholesale**

Preferred stock IPOs often involve a temporary period during which OTC trading symbols are assigned until these securities move to their retail exchange, at which time they will receive their permanent symbols.

But there is no need to wait. Individual investors, armed with a web browser and an online trading account, can often purchase newly introduced preferred stock shares at wholesale prices just like the big guys (see "[Preferred Stock Buyers Change Tactics For Double-Digit Returns](#)" for an explanation of how the OTC can be used to purchase shares for discounted prices).

Those who have been following this strategy of using the wholesale OTC exchange to buy newly introduced shares for less than \$25 are more able to avoid a capital loss if prices drop (if they choose to sell).

Your broker will automatically update the trading symbols of any shares you purchase on the OTC, once they move to their permanent symbols. A special note regarding preferred stock trading symbols: Annoyingly, unlike common stock trading symbols, the format used by exchanges, brokers and other online quoting services for preferred stock symbols is not standardized.

For example, a given Series A preferred stock might have a symbol ending in "-A" at TDAmeritrade, Google Finance and several others but this same security may end in "PR.A" at E\*Trade and ".PA" at Seeking Alpha. For a cross-reference table of how preferred stock symbols are denoted by sixteen popular brokers and other online quoting services, see "[Preferred Stock Trading Symbol Cross-Reference Table](#)."

**This month's spotlight on preferred stock IPOs now trading below par: Hoegh LNG Partners LP**

While most of our subscribers focus on preferred stocks that score 10 out of 10 for their CDx3 Compliance Score, others keep room in their portfolios for more speculative situations, and are willing to take a look at preferreds with a lower score. Often, the return on offer for lower-ranked preferreds can be dramatically higher (and in turn, much higher risk). One such preferred stock is that of Hoegh LNG Partners LP (NYSE: [HMLP](#)). HMLP-A offers a fixed dividend rate of 8.75% against \$25 par value, it is foreign-issued (Bermuda) and the credit is unrated, causing it to score an 8 for its CDx3 Compliance Score.

Although the company name might imply that it is a K1-issuing partnership, as the company [explains](#), "*HMLP has elected to be treated as a C-Corporation for U.S. federal income tax purposes (our investors receive a Form 1099 and not a Schedule K-1.*" HMLP's business is to own "floating storage and regasification units" (or FSRUs for short), as well as other liquefied natural gas infrastructure assets, and then enter into long-term charters (of five or more years) with utility and energy company partners.

As of their [March 31, 2021 earnings release](#), the company reported a balance sheet with \$986,038,000 of total assets, and total liabilities of \$472,018,000. Among those liabilities is a credit facility referred to as the "Lampung facility" which according to the [Q1 filing](#) has an "FSRU tranche" of \$17,592,000 and an "Export credit tranche" of \$75,602,000 – the company indicated that this export credit tranche can be *called* if the other is not refinanced successfully.

And this brings us to [the news from Tuesday](#): HMLP had been working on a refinancing of the FSRU credit facility, and indicated that it had initially been scheduled to close by the end of the second quarter. However, they ran into a problem: the charterer was meant to sign some “customary documents” but apparently refused, and then sent a letter to HMLP in which the charterer *“stated that it will commence arbitration to declare the charter null and void, and/or to terminate the charter, and/or seek damages.”*

This situation has left HMLP scrambling to either resolve the refinancing-in-progress, or, secure alternative financing in advance of the September 29<sup>th</sup> maturity date. To make matters worse, at quarter end HMLP has \$24,200,000 drawn on a credit facility it has in place from Höegh LNG Holdings Ltd, and it *received notice that this other revolving credit line will not be extended when it matures on January 1, 2023* (while that's not an *imminent* problem, it still means another \$24.2 million that HMLP will need to pay down or refinance). So HMLP is a company suddenly finding itself in need of more near-term cash/financing, than it currently has... What is a company to do in such a situation, to make sure it lives to fight another day?

The company had been paying a common distribution of 44 cents/share, amounting to \$15,100,000 in the first quarter, for an annualized rate of \$60,400,000. With its back apparently up against the wall, HMLP made the decision to slash its common dividend to a penny, thereby allowing it to use its own internal cash flows towards deleveraging.

While the refinancing outcome is clearly uncertain at this point, especially given the charterer's letter and where *that* situation ultimately leads (the company did say that it "believes the charterer's position is without merit"), in the current environment of robust credit availability it does seem more likely than not that HMLP will be able to figure out some path forward – certainly the savings from slashing the common dividend will now allow it the opportunity to try and structure a financing with rapid repayment of principal.

Clearly this situation is disastrous for the *common*, which saw its hefty dividend go "poof" -- and any time a company gets into a back-against-the-wall financing situation there's always the additional risk of common equity dilution via a distressed capital raise. HMLP common saw a single-day share price decline that wiped out roughly two thirds of its value prior to the news hitting.

But what does this situation mean for their *preferred*? The underlying risk to the preferred obviously just became more elevated than it was on 7/26. And as might be expected, the preferred shares went from trading at a *premium* to par (closing at \$26.41 on 7/27/2021), to trading at a *discount*. How much of a discount? HMLP-A closed at \$20.83 on 7/28, for a one-day loss in excess of 20%.

However, while the *common* dividend was indeed slashed, the company indicated there is no change to the *preferred* dividend, and the company declared the regular \$ 0.546875/share quarterly distribution, to be paid August 16<sup>th</sup>, 2021. In total, the preferred distribution is a \$3.9 million quarterly obligation for the company so while they would definitely save some money by suspending it the amount isn't tremendous; and it should be noted that the amount is *cumulative* (meaning that if they ever did decide to suspend it, they'd first need to cut the common dividend to zero from a penny, and then, before resuming a common distribution, they'd need to pay preferred shareholders the cumulative amount of any missed payments).

At the \$20.83 close on 7/28, this works out to a current yield of 10.5% for the preferred. And if the company does successfully resolve its immediate-term financing woes, the CEO indicated that its longer-term strategy would be to use internally generated cash flows towards deleveraging its balance sheet. (With that other credit facility going away in 2023, that approach makes sense). A stronger balance sheet, all else equal, would actually be a credit positive as far as the preferreds are concerned, down the line. If the company is successful, it is not hard to envision the preferred creeping its way back towards par value over time – which would require a 20% share price increase.

Adding together the potential price increase needed to erase the par value discount, and the current yield, the preferred shares of this troubled company offer total upside potential in excess of +30%. For that upside potential to be realized, they'll obviously need to first resolve their finances successfully... As such, this is definitely an interesting situation to research further and to follow along with as progress is reported by the company.

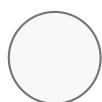
## Until Next Time...

Here at CDx3, our typical articles will provide month-end preferred stock (and ETD) IPO summaries, plus a look at selected past preferred stock IPOs that are now trading below par - often the reward on offer for "imperfect" preferred stocks is very high relative to the fully CDx3-compliant professionally rated securities.

Whether you are the kind of investor who sticks with preferred stocks with a **CDx3 Compliance Score** rated 10 out of 10, or whether your portfolio has room for 9-score-and-lower securities, stay tuned for future articles recapping new IPOs and interesting preferred stock activity that we notice here at the **CDx3 Notification Service**. Thanks for reading!

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This article was written by



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**Disclosure:** I/we have a beneficial long position in the shares of HMLP.PA either through stock ownership, options, or other derivatives. I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company whose stock is mentioned in this article.

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