Opendoor Technologies Inc. Prices Upsized $850 Million Convertible Senior Notes Offering

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SAN FRANCISCO, Aug. 18, 2021 (GLOBE NEWSWIRE) -- Opendoor Technologies Inc. (Nasdaq: OPEN) ("Opendoor"), a leading digital platform for residential real estate, today announced the pricing of its offering of $850,000,000 aggregate principal amount of 0.25% convertible senior notes due 2026 (the "notes") in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). The offering size was increased from the previously announced offering size of $750,000,000 aggregate principal amount of notes. The issuance and sale of the notes are scheduled to settle on August 20, 2021, subject to customary closing conditions. Opendoor also granted the initial purchasers of the notes an option to purchase, for settlement within a period of 13 days from, and including, the date when the notes are first issued, up to an additional $127,500,000 principal amount of notes.

The notes will be senior, unsecured obligations of Opendoor and will accrue interest at a rate of 0.25% per annum, payable semi-annually in arrears on February 15 and August 15 of each year, beginning on February 15, 2022. The notes will mature on August 15, 2026, unless earlier repurchased, redeemed or converted. Before February 15, 2026, noteholders will have the right to convert their notes only upon the occurrence of certain events. From and including February 15, 2026, noteholders may convert their notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. Opendoor will settle conversions by paying cash up to the aggregate principal amount of the notes to be converted and paying or delivering, as applicable, cash, shares of its common stock or a combination of cash and shares of its common stock, at its election, in respect of the remainder, if any, of its conversion obligation in excess of the aggregate principal amount of the notes being converted based on the applicable conversion rate(s). The initial conversion rate is 51.9926 shares of common stock per $1,000 principal amount of notes, which represents an initial conversion price of approximately $19.23 per share of common stock. The initial conversion price represents a premium of approximately 30% over the last reported sale price of $14.795 per share of Opendoor's common stock on August 17, 2021. The conversion rate and conversion price will be subject to adjustment upon the occurrence of certain events.

The notes will be redeemable, in whole or in part (subject to certain limitations), for cash at Opendoor's option at any time, and from time to time, on a redemption date on or after August 20, 2024 and before the 36th scheduled trading day immediately before the maturity date, but only if the last reported sale price per share of Opendoor's common stock exceeds 130% of the conversion price for a specified period of time and certain liquidity conditions have been satisfied. The redemption price will be equal to the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

If a "fundamental change" (as defined in the indenture for the notes) occurs, then, subject to a limited exception, noteholders may require Opendoor to repurchase their notes for cash. The repurchase price will be equal to the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the applicable repurchase date.

Opendoor estimates that the net proceeds from the offering will be approximately $827.9 million (or approximately $952.2 million if the initial purchasers fully exercise their option to purchase additional notes), after deducting the initial purchasers' discounts and commissions and estimated offering expenses. Opendoor intends to use approximately $103.3 million of the net proceeds to fund the cost of entering into the capped call transactions described below. Opendoor intends to use the remainder of the net proceeds from the offering for general corporate purposes. If the initial purchasers exercise their option to purchase additional notes, then Opendoor intends to use a portion of the additional net proceeds to fund the cost of entering into additional capped call transactions as described below.

In connection with the pricing of the notes, Opendoor entered into privately negotiated capped call transactions with one or more of the initial purchasers or their affiliates and other financial institutions (the "option counterparties"). The capped call transactions cover, subject to anti-dilution adjustments substantially similar to those applicable to the notes, the number of shares of Opendoor's common stock underlying the notes. If the initial purchasers exercise their option to purchase additional notes, Opendoor expects to enter into additional capped call transactions with the option counterparties.

The cap price of the capped call transactions will initially be $29.59 per share, which represents a premium of 100% over the last reported sale price of Opendoor's common stock of $14.795 per share on August 17, 2021, and is subject to certain adjustments under the terms of the capped call transactions.

The capped call transactions are expected generally to reduce the potential dilution to Opendoor's common stock upon any conversion of the notes and/or offset any potential cash payments Opendoor is required to make in excess of the principal amount of converted notes, as the case may be, upon conversion of the notes. If, however, the market price per share of Opendoor's common stock, as measured under the terms of the capped call transactions, exceeds the cap price of the capped call transactions, there would nevertheless be dilution and/or there would not be an offset of such potential cash payments, in each case, to the extent that such market price exceeds the cap price of the capped call transactions.

In connection with establishing their initial hedges of the capped call transactions, the option counterparties or their respective affiliates expect to enter into various derivative transactions with respect to Opendoor's common stock and/or purchase shares of Opendoor's common stock concurrently with or shortly after the pricing of the notes. This activity could increase (or reduce the size of any decrease in) the market price of Opendoor's common stock or the notes at that time.

In addition, the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to Opendoor's common stock and/or purchasing or selling Opendoor's common stock or selling Opendoor's common stock or other securities in secondary market transactions following the pricing of the notes and prior to the maturity of the notes (and are likely to do so following any conversion of the notes, any repurchase of the notes by Opendoor on any fundamental change repurchase date, any redemption date or any other date on which the notes are retired by Opendoor, in each case, if Opendoor exercises its option to terminate the relevant portion of the capped call transactions). This activity could also cause or avoid an increase or decrease in the market price of Opendoor's common stock or the notes, which could affect the ability to convert the notes, and, to the extent the activity occurs during any observation period related to a conversion of notes, it could affect the number of shares and value of the consideration that noteholders will receive upon conversion of the notes.

The offer and sale of the notes and any shares of common stock issuable upon conversion of the notes have not been, and will not be, registered under the Securities Act or any other securities laws, and the notes and any such shares cannot be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities laws. This press release does not constitute an offer to sell, or the solicitation of an offer to buy, the notes or any shares of common stock issuable upon conversion of the notes, nor will there be any sale of the notes or any such shares, in any state or other jurisdiction in which such offer, sale or solicitation would be unlawful.

About Opendoor

Opendoor's mission is to empower everyone with the freedom to move. Since 2014, Opendoor has provided people across the U.S. with a radically simple way to buy, sell or trade-in a home online. Opendoor currently operates in a growing number of markets across the U.S.

Forward-Looking Statements

This press release includes forward-looking statements, including statements regarding the completion of the offering, the expected amount and intended use of the net proceeds and the effects of entering into the capped call transactions described above. Forward-looking statements represent Opendoor's current expectations regarding future events and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those implied by the forward-looking statements. Among those risks and uncertainties are market conditions, the satisfaction of the closing conditions related to the offering and risks relating to Opendoor's business, including those described in periodic reports that Opendoor files from time to time with the Securities and Exchange Commission. Opendoor may not consummate the offering described in this press release and, if the offering is consummated, cannot provide any assurances regarding its ability to effectively apply the net proceeds as described above. The forward-looking statements included in this press release speak only as of the date of this press release, and Opendoor does not undertake to update the statements included in this press release for subsequent developments, except as may be required by law.

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