

## **Origin Energy Unsecured Subordinated Cumulative Notes Offer**

Origin Energy has recently announced it intends to raise \$500 million via the release of unsecured subordinated cumulative notes, which Origin Energy will have the option of redeeming from the 20<sup>th</sup> of December, 2016 onwards.

If they aren't redeemed by the 15<sup>th</sup> of December, 2036 the set margin will increase by a further 1%.

It is likely that Origin Energy will redeem the notes in 2016 considering 100% of the security will be treated as debt in the future for accounting purposes rather than equity. On redemption investors will receive a refund of the original issue price, which is \$100 per unit.

Origin Energy aims to raise the \$500 million as part of their capital management requirements.

Origin Energy is a leading integrated energy company within Australia, whom are involved in;

- Selling electricity, natural gas and LNG to wholesale and retail customer
- generating electricity via various power stations, and
- Gas and oil exploration.

### **Summary of Origin Energy Unsecured Subordinated Cumulative Notes Offer;**

#### **Liquidity;**

Hybrid securities are liquid considering they can be bought and sold like ordinary shares listed on the stock market.

#### **Interest;**

A full cash payment on the listing unit price is determined by a set margin over and above the 90 day bank bill swap rate.

The margin is yet to be determined, although will be at least 4% and up to 4.5%.

Currently the 3 month bank bill swap rate is 4.65%.

Therefore, the total return including the minimum margin of 4% at present would be 8.65%.

These notes will be one of the highest yielding hybrid securities on the market.

Given the above is a floating rate note security the overall return will fluctuate if interest rates rise or fall.

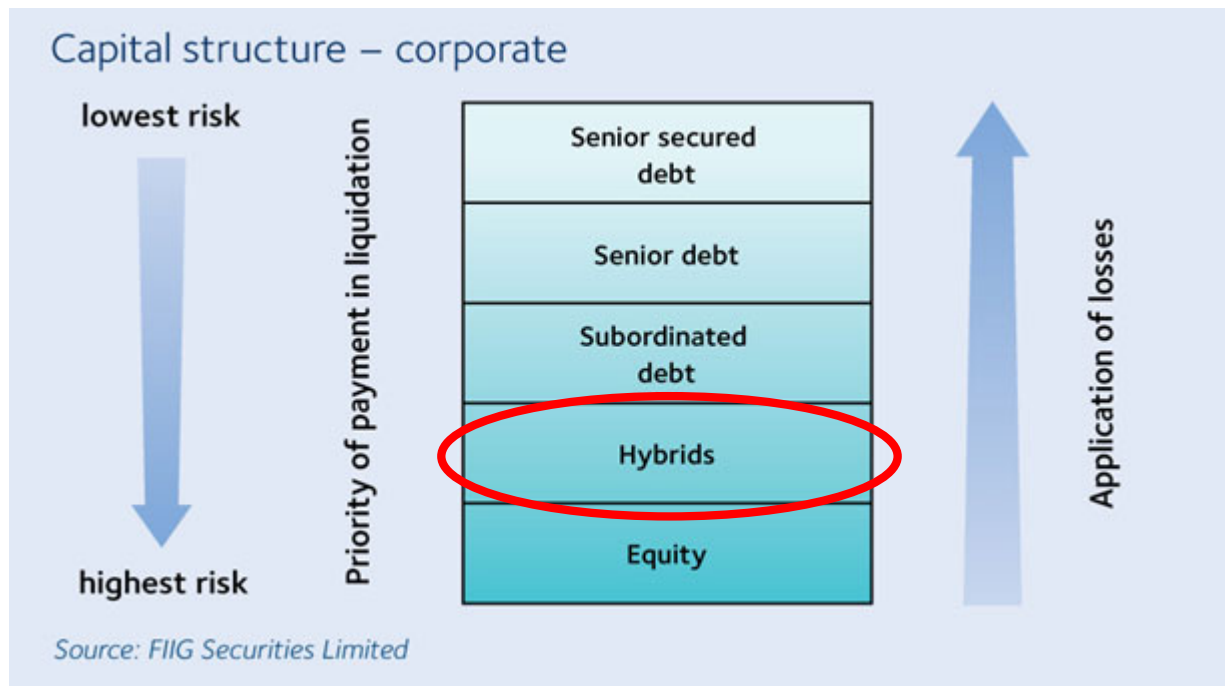
The Origin Energy note is set to pay distributions quarterly.

#### **Security;**

Preferential share holders are also required to receive their dividend payment before ordinary share holders.

Preference share unit values tend to fluctuate much less than ordinary shares due to the maturity redeeming value.

Furthermore, their position in the companies corporate structures (outlined below) provides added security over ordinary shares.



**Opportunity;**

If the bond prices rises above its face value of \$100 and you sell them before maturity you will realise a gain.

**Cost;**

Compared to term deposit break fees the transaction cost to sell hybrid securities is the same as selling ordinary shares. There is no fee on purchasing the Origin Energy Notes via the initial offer.

**Disadvantage(s);**

A potential disadvantage is that the unit price may fall, although if held until redemption you will receive a refund of your initial investment, which needs to be a minimum of \$5,000.

**What To Do Now;**

[If you are interested in the above please be sure to register your interest and obtain a product disclosure documents by no later than Monday the 21st of November, 2011.](#)

The lead arrangers will then confirm allocations of the bonds with a probable commencement date on approximately the 23<sup>rd</sup> of December, 2011.

Yours faithfully,

**Thayne Turley**  
**MULCAHY & CO**