

Announcement

New Issue: Australian Unity Bonds - AYUHC and AYUHD

On 9 September 2019, Australian Unity Limited (ASX: AYU) launched an offer for Australian Unity Bonds – Series C and D (ASX: AYUHC and AYUHD) of ~5- and ~7-year maturities respectively. The purpose of the transaction is to refinance the Series B (ASX: AYUHB) bonds issued in 2015 and for general corporate purposes. The issuer (Australian Unity Limited) is a non-operating holding company (NOHC) and the majority of its assets are investments in subsidiaries of the Australian Unity Group. Most of the claims AYU has on each of its operating subsidiaries rank behind the operating company's creditors. Therefore, the issuer is slightly riskier than its regulated subsidiaries.

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The bonds are structured as simple corporate bonds meaning they have no optionality and interest payments are mandatory. To qualify as a simple corporate bond these securities have met specific legal eligibility requirements on the issuer and the security itself. The bonds are protected by event of default conditions which give the holder the right to recover any unpaid principal or interest subject to issuer solvency. Sargon CT Pty Ltd has been appointed as the trustee for holders of the bonds and it will act on behalf of the holders to enforce Australian Unity's obligations to pay interest and principal in a full and timely manner. The bonds pay a floating interest rate of 90-Day BBSW plus a guided margin of between 2.00 – 2.20% / 2.15 – 2.35% for the respective Series C and D bonds, payable quarterly in arrears on 14 January, April, July and October each year until maturity. The bonds may only be redeemed on their legal final maturity date of 15 December 2024 & 2026 or when a Tax Event, Change of Control Event or a Clean Up Condition exists. Bond holders are protected by a series of covenants such as a negative pledge, restrictions of indebtedness and a maximum gearing ratio.

Summary details of the transaction are listed in the table below:

Product Type	Corporate Bonds	Last Price	\$100.00
Issue Size*	[\$250,000,000]	Accrued	\$0.00
Par Value	\$100.000	Capital Price	\$100.000

Fixed / Floating	Floating	Running Yield	3.00 - 3.23% & 3.15 - 3.35%
Payment Frequency	Quarterly	Yield to Maturity	2.92 - 3.12% & 3.17 - 3.37%
Current Distribution	3.00 - 3.23% & 3.15 - 3.35%	Trading Margin	2.00 - 2.20% & 2.15 - 2.35%
Issue Margin / Coupon	2.00 - 2.20% & 2.15 - 2.35%	Optional Call Date	
Franking Credits Inclusive	No	Legal Final Maturity	15 December 2024 & 2026
ASX Listed**	Yes (ASX Code: AYUHC & AYUHD)	Next Ex-Date	TBC
Convertible	No	Next Payment Date	TBC
GICS Sector	Insurance	Next Cash Distribution	TBC

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* Issue Size is estimated at around \$250 million across both of AYUHC and AYUHD.

** Each bond is subject to a \$50 million minimum amount with AYUHD the only one accepting new money.

*** Yield and Margin data based on 2.00 - 2.20% & 2.15 - 2.35% margin guidance and BBSW spreads on 5 Sep 2019.

Click here (https://app.bondadviser.com.au/research_items?item=australian-unity-bonds-series-d) to access our Full Research Report.

Attachments

ASX Announcement (/uploads/attachment/uploaded/622/190909_-_ASX_Announcement.pdf)	pdf 396 KB
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Reinvestment Letter (/uploads/attachment/uploaded/623/190909_-_Reinvestment_Letter.pdf)	pdf		102 KB
Presentation (/uploads/attachment/uploaded/624/190909_-_Presentation.pdf)	pdf		3 MB
Prospectus A (Specific) (/uploads/attachment/uploaded/625/190909_-_Part_A_Prospectus__Specific_.pdf)	pdf		298 KB
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Trust Deed (/uploads/attachment/uploaded/627/190909_-_Trust_Deed.pdf)	pdf		4

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