Australian Shareholders' Association
Australian Shareholders' Association Limited
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Origin to leave ASX? - Takeover Offer for Approval by Shareholders

Company/ASX Code	Origin Energy Limited/ORG
AGM time and date	2.00pm (Sydney time) Thursday, 23 November 2023
Location	The Swissotel Sydney, 68 Market Street, Sydney
Registry	Boardroom
Type of meeting	Physical with webcast only (no online voting or questions)
Monitor	Lewis Gomes and Michael Batchelor
Pre-AGM Meeting	With Scott Perkins (Chairman) and Helen Hardy (Company Secretary) on 2 November 2023

Monitor Shareholding: The individuals (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

1. How we intend to vote

The resolution to be put to the meeting is set out in Annexure 4 of the Scheme Booklet and in summary is to approve a scheme of arrangement between Origin and Origin shareholders to an agreement between Origin and MidOcean Reef Bidco Pty Ltd, the latter party being the representative entity of a bidding consortium led by Brookfield and EIG.

For approval of the scheme to be secured, two conditions must be achieved:
- more than 50% of Origin shareholders present and voting at the meeting;
- **and** at least 75% of the total number of votes cast at the meeting by Origin shareholders present and voting;

approve the scheme.

Your vote is important. ASA does not make a recommendation regarding how you should vote. We encourage all shareholders to read the documents and give a directed vote that takes into account your personal circumstances. We intend to vote all undirected proxies in favour of the scheme as recommended by the directors of Origin.

2. Summary of Offer

The offer comprises a total cash consideration of approximately $9.53 per Origin share made up of:
- An A$ consideration of $6.59 per share
- A US$ consideration of US$1.86 per share which at recent currency conversion rates amounts to approximately A$$2.94 (at an A$/US$ exchange rate of 0.633)
- The prospect of a special dividend from Origin of A$$0.39 of which the franking credit component of 16.7 cents would be in addition to the above amounts, depending on the shareholder's circumstances.

If passed at the scheme meeting, the date of implementation will be 31 January 2024.

It is important that shareholders read the two relevant documents issued by Origin in relation to the offer:
- The original Scheme Booklet dated 18 October 2023
- The Supplementary Scheme Booklet dated 6 November 2023

In addition, shareholders may find the following documents of further assistance:
- ASA's Voting Intentions for the Origin AGM held on 18 October 2023
- Origin's Annual Report for 2023

An important consideration in the offer is a commitment by Brookfield, which intends to take over the current Energy Markets component of Origin, that it will make available $20 billion and possibly up to $30 billion of funds for investments in renewable energy generation and associated infrastructure. This commitment was a key consideration by the ACCC when considering the bid and for subsequently approving it from a competition perspective. Origin has made statements that it does not believe that it could provide this level of funding as a standalone ASX listed entity. It should be noted that this commitment from Brookfield is non-binding and presumably could only be provided as and when "shovel ready" projects and programmes are ready to go with the necessary approvals and consents.

In terms of possible voting outcomes at the scheme meeting, Origin has advised that is has a "significant retail investor base representing about one quarter of shares on issue, although they represent the vast majority of shareholders by number". Institutional/international shareholdings represent about one third of shares on issue while institutional/high net worth Australia represent about 60% of shares on issues.

3. Matters to be Considered

Background to the Offer

Discussions between the bidders (generally referred to as Brookfield and EIG) and Origin were first made public back in November 2022 when Origin's share price was around $5.80. Various increases in the offer subsequently took place until an offer of approximately $$8.81 was agreed between the parties and addressed in the original Scheme Booklet. It was noted that this was within the range of approximately $8.45 and $9.48 that the Independent Expert, Grant Samuel, had assessed as fair and reasonable.

The general market reaction to this offer was underwhelming but particularly so from Australian Super (AusSuper) which described the offer as significantly undervaluing the long-term potential of Origin. AusSuper is Origin's largest shareholder, it held 12.66% of total issued capital at 28 July 2023 but has since increased its holding to about 15.0%. Other recorded substantial shareholders included First Sentier at 5.84% but it has since advised the ASX that of it is no longer a substantial shareholder, so it must have sold down its stake in recent days. To the best of our knowledge, Vanguard Group continues to have a holding of 5.0%. State Street was listed as a substantial shareholder on 28 July 2023 but has since reduced its holding below the reportable level of 5%. It is reported that Perpetual is a holder of around 3% of shares but this figure has not been confirmed.

The bidders subsequently increased their offer to $9.53 as detailed above and announced that it was their "best and final offer", meaning that it could not be further increased during the currency of the bid. Origin quickly agreed to the increased offer, noting that it was now above the upper limit of the Expert's opinion, and it released the Supplementary Scheme Booklet as listed above.

AusSuper continued to reject the offer, stating that Origin was capable of achieving its longer term objectives while staying in Australian hands. AusSuper engaged its own expert report (by Frontier Economics) which reportedly took exception to various assumptions made by Origin's expert but this report has not been released to the public and nor has AusSuper declared a price at which it would possibly consider an offer.

The voting intentions of other significant shareholders are not known, although Perpetual is said to be opposed to the offer. The three major proxy advisors have each recently expressed support for the offer.

Share Price Movements Since the Offer was Made

As noted above, the price of Origin shares was around $5.80 at the time of the first indicative public offer and comparisons with this price continue to be made by Origin and others as an indication of the premium included in the current offer of $9.53. However, much has changed in Origin's fortunes since then. Significant improvements in the performance of Energy Markets have occurred and the value of Origin's 20% investment in the UK-based energy retailer Octopus Energy with its internationally recognised customer management system Kraken has also materially increased. Further background and details on Origin's financial performance, both past and future guidance, are presented in the ASA's Voting Intentions as is a discussion on the value of the Octopus investment and other relevant considerations such as the future of the Eraring Power Station currently due for closure in 2025 but subject to NSW Government intentions to maintain base load power beyond that time.

It would be fair to assume that in the absence of this offer, Origin's share price would have been rerated but to what level is not possible to say. Recent prices from the ASX give an indication of how the share price has moved and could move in the future. The share price reached a peak of $9.30 on 17 October just after the ACCC approval of the takeover was announced. However, as the strong opposition of AusSuper to the offer became apparent and doubts about the success of the scheme began to surface, the price fell back to $8.38 on 3 November but has since recovered to around $8.80 on 13 November.

Importantly, the share price on the ASX has never reached the $9.53 available under the offer in recent times (and not for many years past), indicating that there is still some doubt as to whether the scheme will succeed in meeting the voting hurdles listed above.

Possible Reasons for Voting For or Against the Offer

The earlier Scheme Booklet lists reasons shareholders may wish to vote for the scheme and reasons for which they may choose to vote against the scheme (refer Pages 10 and 11). Among the reasons for accepting the offer are the fully cash nature of the consideration (plus a possible franking credit) and its certainty compared with the longer term uncertainties of Origin remaining an ASX listed company. It also notes that the share price may fall in the short term if the scheme does not proceed, a likely scenario given recent share price movements.

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Among the possible reasons for voting against the scheme may be a preference for existing shareholders to take a view similar to that of AusSuper in preferring to stay with the present ownership and its future prospects of progressing the pathway to renewables from its own resources and the added value that may arise from so doing.

Origin has said that if the scheme fails to be accepted, it will revert to "business as usual". Given the strong commitment of the current directors and presumably management to the change in ownership, such a turnaround could be challenging. It should also be noted that the current executives will benefit substantially if the scheme is approved through the immediate vesting of a range of share rights accrued in recent years which would revert to cash payments. Some details of these benefits are disclosed in the Booklets.

It should also be noted that no other offer, indicative or otherwise, has emerged since the current offer was first announced in November 2022. The bidders have stated that if the scheme fails to be approved, they may consider a "Plan B" being an off-market offer at a lower price. However, there are no details around this Plan B and it is not up for consideration at the scheme meeting.

There are two notable risks which receive scant discussion in the Scheme Booklets. One is the Tri-Star litigation (refer Page 17 of the Scheme Booklet) which is a very complex and longstanding legal action against the partners of APLNG, of which Origin accounts for 27.5% of the ownership. This matter is addressed in the ASA's Voting Intentions as well as in Origin's Annual Report. It is not possible to make an assessment of the risks of this action impacting on Origin, and Origin's Technical Specialist, Gaffney,Cline & Associates, has advised that such an assessment is out of the scope of its report (refer Page368 of the Scheme Booklet). If the scheme is approved, this risk will move to the bidders (specifically EIG) whereas if the scheme is not approved, this risk would remain with the Origin shareholders.

The second possible risk is the still unannounced necessary approval of the Foreign Investment Review Board (FIRB) and Federal Treasurer to the takeover. While there have been no public announcements on the views of the FIRB or Treasurer, several senior Commonwealth government ministers have stated their support for the bid, particularly in respect of the substantial funding that would be available from Brookfield to support and accelerate the renewables pathway for Origin's Energy Markets. So while not commented upon in the Booklet, the likelihood of not receiving approval seems to be very low.

4. Summary of ASA's Voting Intention

ASA does not intend to express a view as to whether shareholders should accept or reject the scheme. ASA recommends that each shareholder should make his or her own enquiries based on available information and any financial advice that they may receive as the circumstances and aspirations of each shareholder may vary.

All undirected proxies will be voted in accordance with the recommendations of the directors of Origin as being best placed to determine the best course of action for generic shareholders who do not express an opinion in the form of a directed vote.

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