

September 2024

Karooon Energy USD Senior Secured B+ @ 8.8%

By Jenna Labib

With the AUD/USD at a yearly high hovering around 69c, this presents an opportunity for clients looking to add to USD positions.

Karooon Energy Ltd (ASX: KAR) is an ASX listed international oil and gas exploration and production company with assets in Brazil, the United States of America and Australia. In April 2024, S&P assigned its 'B' long-term issuer credit rating to Karoon. The stable rating outlook incorporates their view that Karoon will maintain its financial discipline as it seeks to increase production and reserves through asset enhancements, developments, and strategic asset acquisitions. S&P's base case incorporates a ratio of average funds from operations (FFO) to debt of more than 45% and a ratio of debt to EBITDA of below 2.0x over the next two years.

S&P assigned a 'B+' long-term issue rating to the company's Senior Secured Second-Lien notes. The '2' recovery rating on the notes indicates their expectation of substantial recovery (rounded estimate: 80%) in the event of a default. Please see attached the S&P report on these notes.

The Karoon Energy 10.5% Senior Secured bond is currently available to pick up ~105.20, which is a yield of ~8.77% to maturity in 2029. This bond has an early call on 14 May 2026 at a price of 105.25, which would be a yield of 9.99%. There is also a call on 14 May 2027 at 102.625, which would be a yield of 9.12%.

Call Schedule

Callable on and anytime after date(s) shown	
Date	Price
05/14/2026	105.250
05/14/2027	102.625
05/14/2028	100.000

Transaction Pricing

	Buy
Issuer:	KAROON USA FINANCE INC
ISIN:	USU24463AA68
Security Name:	KARAU 10 1/2 05/14/29
Payment Rank:	Secured
Rating (S&P, FITCH, MOODY):	B+,B+,#N/A
Sector:	Energy
Coupon Type:	FIXED
Coupon:	10.500%
Current Coupon:	10.500%
Next Coupon Date:	14-Nov-24
Next Call Date:	14-May-26
Maturity Date:	14-May-29
Currency	USD
Duration:	2.8619
Margin:	5.6989%
Yield:	8.7850%
Running Yield:	9.9810%
Face Value:	100,000
Settlement Date:	01-Oct-24
Capital Price:	105.200
Consideration:	105,200.00
Accrued Interest:	3,995.83
Total Consideration:	109,195.83
AUD Consideration:	157,660.75

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