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Lendlease's Innovative Hybrid: A Fresh Trade for the Aussie Credit Market

Lendlease (ASX: LLC) has made waves in the Australian credit market by mandating a new corporate hybrid deal, presenting a rare opportunity for investors keen on yield. Launching this week, this issuance stands out thanks to its unique structure – a move to further support the company's investment-grade status after a period of intense balance sheet management. The Capital Release Unit has been busy, recycling \$2.5bn in assets this financial year to shore up credit metrics and preserve flexibility for the Group.

Lendlease is in the market today, for a new offering. The deal is being marketed with a fixed coupon guidance of S/QASW +170-220bps, equivalent to a fixed rate of 5.210%-5.709%, or an indicated grossed-up yield of 7.443%-8.156%.

Books are expected to close Wednesday.

Lendlease AUD PerpNC3 Subordinated Securities

Unlike recent hybrids, Lendlease is opting for a Perpetual Non-Call 3-year structure. On the balance sheet, it's treated as 100% equity, helping them maintain robust credit health. Notably, distributions are set to be fully franked—a feature familiar to equity investors but rarer for hybrids—boosting the after-tax return for Australian investors.

Further sweetening the deal, the securities offer a hefty 500 basis-point step-up if not redeemed at the first call date in three years, providing strong incentive for timely redemption and protecting investors from extension risk. This is markedly different from the longer-dated 30NC5 structures seen elsewhere in the market.

Distributions are expected to be fully franked, making these yields attractive for investors who can utilise franking credits. The transaction is set to be marketed as a cash margin over swap. Lendlease's new hybrid structure offers a compelling mix of high all-in yield, franking benefits, and a substantial step-up feature, making it a standout trade idea in today's market.

**If you're interested in this issuance, please contact one of our
IAM Relationship Managers.**

TRADE IDEA

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