

Trading Idea - Switch out of AGL and into Origin Energy

We are recommending clients reduce their holding or take some profits on holdings in AGL Energy (ASX Code: AGL) and switching into Origin Energy (ASX Code: ORG) as a better alternative. We see more upside potential in ORG and think AGL may be due for a pull back.

AGL has had a great run trading now above \$18.00, (Current share price \$18.32) compared to a price of \$13.20 at the start of 2015 (an increase of 39%).

Below: Research house Morningstar have a fair target value on AGL of \$15.00 and are expecting a pullback from the stock's recent strength. ORG has a price target above their share price at \$5.50 expecting it to strengthen. Comparing the stocks dividends at current prices ORG is returning 6.8% unfranked and AGL is returning 3.6% fully franked.

Key Sector Stocks/Recommendations (as at 3 March 2016)

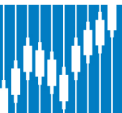
| Name/Ticker | Currency | Morningstar Recommendation | Moat Rating | Uncertainty Rating | Adjusted NPAT (m) | | Adjusted EPS (cents) | | 2 yr EPS CAGR (%) | DPS (cents) | Franking (%) | Price/Earnings FY17F | Dividend Yield (%) FY16F | Share Price (\$) | Fair Value Estimate (\$) | Price/Fair Value (x) |
|------------------------|----------|----------------------------|-------------|--------------------|-------------------|-------|----------------------|-------|-------------------|-------------|--------------|----------------------|--------------------------|------------------|--------------------------|----------------------|
| | | | | | FY16F | FY17F | FY16F | FY17F | | | | | | | | |
| APA Group APA | AUD | Hold | Narrow | Medium | 222 | 247 | 20.0 | 22.2 | 9.4 | 41.5 | 5% | 38.5 | 4.9 | 8.54 | 8.00 | 1.07 |
| Contact Energy CEN-NZ | NZD | Accumulate | Narrow | High | 162 | 187 | 22.4 | 26.5 | 10.0 | 26.0 | 70% | 16.8 | 5.8 | 4.46 | 5.50 | 0.81 |
| Mighty River Power MRP | NZD | Hold | Narrow | High | 152 | 162 | 10.8 | 11.6 | 5.7 | 14.3 | 100% | 22.6 | 5.5 | 2.62 | 2.90 | 0.90 |
| Meridian Energy MEL-NZ | NZD | Hold | Narrow | High | 233 | 243 | 9.1 | 9.5 | 8.0 | 18.9 | 58% | 26.8 | 7.4 | 2.55 | 2.50 | 1.02 |
| Origin Energy ORG | AUD | Hold | None | High | 337 | 627 | 23.5 | 35.8 | -4.6 | 20.0 | 20% | 13.8 | 4.0 | 4.96 | 5.50 | 0.90 |
| AGL Energy AGL | AUD | Reduce | Narrow | Medium | 707 | 790 | 104.2 | 115.4 | 9.5 | 70.0 | 100% | 16.0 | 3.8 | 18.45 | 15.00 | 1.23 |

- Morningstar 4/4/16

Below: AGL technically looks to be consolidating above \$18.00 which may limit future upside potential.



-Iress



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Below: The Origin Energy chart is showing a positive technical indicator with the moving average price lines crossing after a long term down-trend. This technical indicator predicts the likelihood of an upward move in the stock.



To discuss switching out of AGL and into Origin, or entering a new holding in Origin, please give me a call to discuss.

Should you have any questions or require further information, please do not hesitate to contact me.

Disclaimer: This strategy is not suitable for all clients. The information provided is for general information only, it does not take into account your particular investment objectives, financial situation or needs. Prior to taking any action or making any investment decision based on the information contained in this email, you should gain professional advice.

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