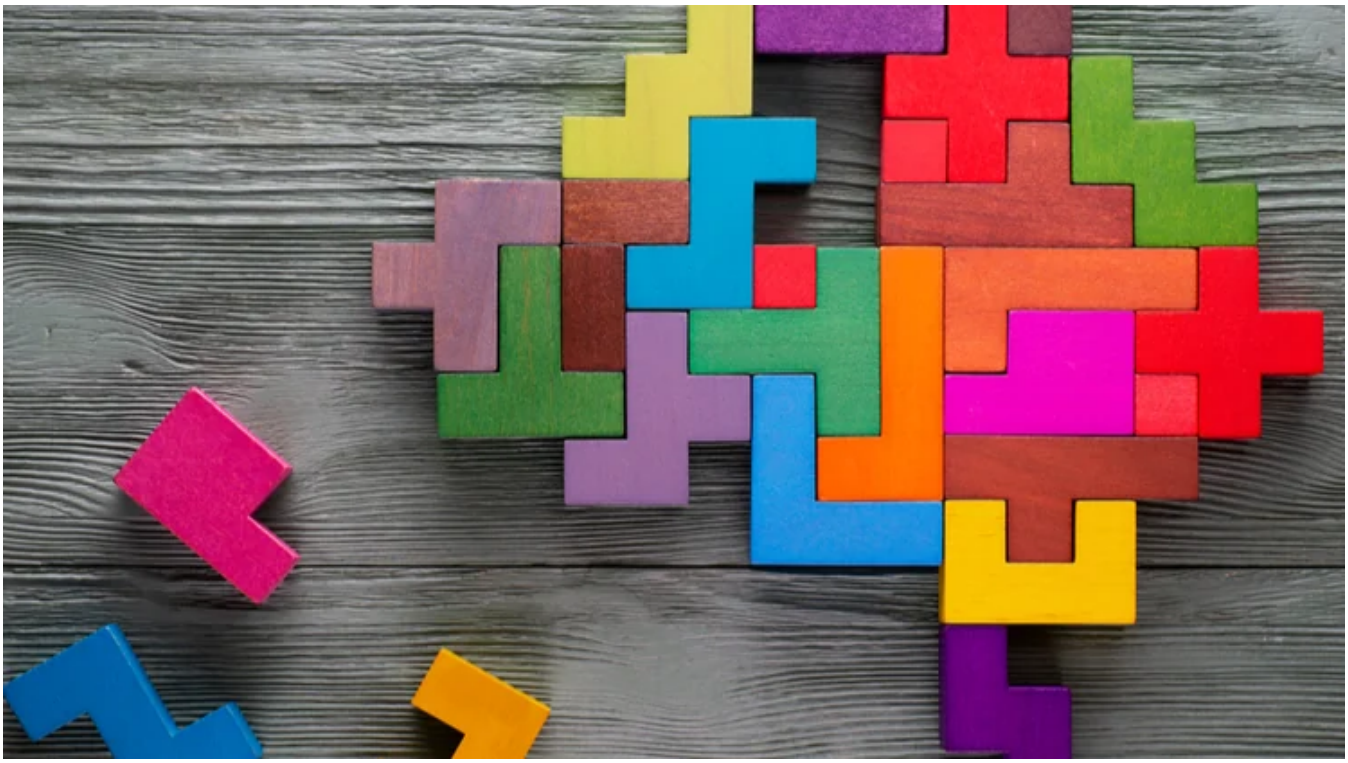
Perpetual Equity Investment Company Limited

Perpetual knowledge bank series: company options

10 June 2021



Company options or options provide the opportunity, but not the obligation, for an investor to acquire an ordinary share at a fixed price at a predetermined time on or before the option expiry date. The terms and conditions of these options are determined solely by the issuing

company, which means all options will be different. Common features of these options include:

- Exercise price or strike price – this represents the fixed price at which the investor can buy the underlying share.
- Expiry date – this represents the last day where the option holder may exercise it based on the terms and conditions of the option. Prior the expiry date of the option, the holder may also choose to sell it on market if the options are quoted. If option holders do nothing, then the options will expire.
- Quotation – the issuing company may apply for quotation of the options on the ASX, which means investors can buy and sell options in the same way as shares. Options that are quoted will generally be issued under a prospectus document.

Investors may often hear the terms “in the money” or “out of the money” when considering options. The term “in the money” is often used to refer to the situation where the share price of the underlying shares of the option is higher than the exercise price of the option. In this case, option holders may choose to exercise their options and be issued new ordinary shares at a discount to the market price. On the other hand, an option is “out of the money” when the share price of the underlying shares of the option is lower than the exercise price of the option. In this case, option holders may choose to not exercise their option and instead buy additional shares on market at less than the exercise price of the option.

Company options should not be confused with exchange traded options (ETOs), which are a type of derivative. ETO contracts are standardised by the ASX whereas company options are solely issued by a listed company and can have a variety of features.

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