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SYMANTEC CORPORATION CONVERTIBLE NOTES WITH CALL SPREAD



INTRODUCTION


As one of the well-established companies in the world, Symantec Corporation, which specializes in cybersecurity companies, started to look at its capital structure and decided to issue convertible notes. Such a financial strategy helped Symantec to gain funds for its operation while offering investors an opportunity to pay for a debt with stocks.





CONVERTIBLE NOTES


Convertible notes are a form of both debt and Equity. Owners of the notes, which are bought by investors, are paid fixed interest during the term and have conversion option into the equity of Symantec at the fixed price. This structure is beneficial to the Symantec since it decreases borrowing costs with respect to traditional debt since the borrowings are converted to equity.





COMMODITY MARKETS


To avoid considerable dilution, such as through an extra deep out-of-the-money call spread overlay strategy, Symantec established call options by purchasing higher strike prices and issuing call options at lower strike prices. This combination reduces the risk to investors while putting a ceiling on equity dilution for Symantec.





CONCLUSION

The analysis of the case focuses on the interest of the Symantec Corporation Convertible Notes with Call Spread which presents an interesting strategy of achieving growth, reducing costs, and maximising shareholders value. This solution gives a plausible management of convertible debt without necessarily diluting the share of stocks.





RECOMMENDATION

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