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Business

## Macquarie mulls rival Santos bid - DATAROOM

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Investment bankers at Macquarie Capital are understood to be considering a plan to pull together a rival takeover bid for Santos, with Total and Quadrant Energy to join forces and buy the Australian-listed oil and gas operator.

The proposal would involve the French multinational oil and gas company buying the Santos PNG LNG project, with Quadrant and potentially other Macquarie-related interests acquiring the Australian operations.

Total is already a major player in PNG oil and gas exploration, operating the Elk-Antelope project, which it jointly owns with Oil Search and other parties.

Macquarie's proposal comes at a time Quadrant Energy itself is understood to be up for sale, with major shareholders Brookfield and Macquarie believed to be fielding offers for all of the company.

Recently Brookfield had planned to sell its stake in Quadrant in a separate process run through investment bank Citi.

But that is now on hold while owners determine whether a sale of the whole company or a takeover of Santos is a better course of action.

Harbour Energy, which is predominantly owned by EIG Global Energy Partners, made its second takeover bid for Santos earlier this month, offering \$13.5 billion for the company. It follows a \$9.46bn bid that was put forward to the Santos board last year which was rejected.

The cash offer this time is worth \$6.50 per share.

But since the beginning of the month when the bid was put forward, the oil price has rallied 8 per cent and currency fluctuations are thought to have lowered the value to about \$6.45.

The Harbour Energy negotiations have some way to run and the debate among those close to Quadrant is whether to make a rival approach in the near term or further down the track when the price of the Harbour bid is more definitive.

The situation is similar to the takeover battle for Asciano in 2016. Private equity firm Brookfield initially made a takeover bid for Asciano, but Qube Logistics came in with a rival \$9.05bn offer some time after the talks between Brookfield and the listed logistics company had progressed.

Quadrant's value excluding its debt is \$4bn.

The thinking is that Total would buy PNG LNG for about \$6bn, leaving the owners of Quadrant, which includes Brookfield, Macquarie and Wesfarmers, to stump up about \$7bn worth of equity and debt for the remaining Australian business.

Santos Australia includes Darwin LNG, West Australian Gas, along with interests in Gladstone LNG and the Cooper Basin.

An equity cheque of at least \$2.5bn may have to be written by Quadrant Energy. Goldman Sachs is thought to be close to the action on the Total and Quadrant Energy side, should a rival bid eventuate.

UBS is working for Chinese shareholder ENN, which is allowed by Harbour Energy to retain its interest in Santos once the company is delisted. Ironically, Santos ran the ruler on an acquisition of Quadrant Energy last year.

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