

# The Sydney Morning Herald

Business

## Santos' Chinese investor, suitor in talks

Cole Latimer

530 words

11 April 2018

The Sydney Morning Herald

SMHH

First

25

English

© 2018 Copyright John Fairfax Holdings Limited.

### RESOURCES

Santos's Chinese shareholder is understood to be in talks with suitor Harbour Energy to retain a major stake in the Australian oil and gas producer if Harbour's \$13.5 billion bid succeeds.

ENN, which holds 10.1 per cent of Santos, made it clear on Monday night it was not interested in a cash offer for its shares. However, it is understood the group is open to a deal with Harbour that would allow it to retain exposure to Santos' assets.

Harbour Energy this month made a \$13.5 billion bid for Santos, putting forward an all-cash offer of \$6.50 a share, the third proposal it has made.

The newest bid represented a 40 per cent premium on Harbour Energy's first bid in August. Following Harbour's latest offer, major shareholder ENN - one of the largest private companies in China and which holds 10.07 per cent of Santos - said it would be open to speaking to Harbour although indicated it wants to maintain exposure to Santos' assets.

"Santos is an important part of the company's long-term strategy for clean energy. At present, there is no intention to sell shares in exchange for cash," ENN said.

A source close to Santos said ENN's eagerness to retain exposure to Santos assets is the same reasoning behind Harbour's approach. "Santos in an extremely strong position and its value continues to rise, that's the potential that Harbour sees," they said.

A source familiar with ENN and Harbour Energy said ENN would likely make a deal to retain a position in any unlisted vehicle as there exists a strategic alignment between both companies.

RBC Capital Markets analyst Ben Wilson said ENN was more interested in retaining exposure to Santos assets than a payday.

"ENN may have an issue with a change in control but fundamentally they're in a position to maintain investment for exposure to the assets," Mr Wilson said. "Harbour Energy's bid has been quite accommodating of the requests of major shareholder groups."

Mr Wilson said an unlisted vehicle was low risk for ENN and fellow Chinese firm Hony - which hold a combined 15 per cent - as it is unlikely that other shareholders would want to join.

"However, from ENN and Hony's point of view there's no guarantee of it should they elect to participate," he said.

"The only downside for them, provided they agree with the price, is the lack of liquidity in holding an unlisted vehicle."

Fat Prophets analyst David Lennox said ENN had opened up to Harbour because its bid is finally near Santos's true value.

Mr Lennox said ENN likely wants to retain its position in Santos, and access to its gas, due to the forecast gap between LNG supply and demand, as global LNG demand is predicted to surpass 300 million tonnes for the first time ever.

A source familiar with Santos said Harbour Energy's latest bid may have more success than its previous tilt at Santos due not only to the higher offer but also due to a change in leadership.

Document SMHH000020180410ee4b0001t