

FINANCIAL REVIEW

SE Market Wrap - Street Talk

HD French giant GDF Suez asset **sale** may fetch over \$500m

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Heavily indebted French electricity giant GDF Suez is considering selling another **stake** in its Australian subsidiary in a deal expected to top \$500 **million**.

Last year the **company** offloaded a 28 per cent **stake** in four power stations across Victoria and South Australia to the Japanese trading house, Mitsui & Co .

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The investment in the gas, **coal** and **wind** power generators totalled around \$480 **million**.

It's understood an even greater slice may now be shopped around in the same assets, as GDF Suez , which is 36.7 per cent owned by the French government and ranks as the world's largest power producer by output, grapples with a debt burden of close to \$34 **billion**.

The hefty sum arose from its 2012 **acquisition** of Britain's International Power, which owned assets throughout South America, the Middle East, South-East Asia as well as Australia.

Deutsche Bank has been drafted in to sell the **stake**, which is likely to be structured in a similar manner to the Mitsui transaction.

According to sources negotiations with potential bidders have been under way for some time.

RATCH-Australia , a joint venture between Thailand's Ratchaburi Electricity Generating Holding and Transfield Services , is viewed as a logical contender. **Chinese** companies have also circled a number of power plants in Australia recently.

However some argue GDF Suez faces an uphill battle given the systemic problems in the electricity market as excess capacity continues to weigh on wholesale prices.

In the Mitsui deal, the Japanese **firm** gained a portion of a bundle of power plants, including the **coal**-fired generator in Victoria, along with GDF Suez 's power and gas retail business, which has over 350,000 customers .

Under the deal GDF Suez and Mitsui formed a fresh subsidiary vehicle, giving the Japanese **firm** a **equity** interest in all of the French giant's power businesses in Australia.

News of this latest prospective deal comes as the market awaits a ruling on AGL's disputed \$1.5 **billion purchase** of the Macquarie Generation assets - country's largest power producer.

It is understood the high level of borrowings forced GDF Suez out of the MacGen race as it pursues a selective sell-down of assets post the International Power deal.

Earlier this year, Commonwealth Bank sold its 8.16 per cent share in Hazelwood. The brown-**coal** fired station provides about a quarter of Victoria's power.

CO mtsui : Mitsui & Co Ltd | gazfr : Engie SA

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