



HD UPDATE 2-Australia's Santos reboots with A\$3.5 bln in asset, share sales

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LP \* Chinese private equity firm Hony raises stake to 7.9 pct

\* Rebuffed suitor Scepter to walk away - source

TD \* Santos sells Kipper gas field stake to Mitsui (Adds bidder, investor reaction)

By Sonali Paul

MELBOURNE, Nov 9 (Reuters) - Australia's Santos Ltd revealed plans on Monday to raise A\$3.5 billion (\$2.5 billion), mainly from a massive share sale, thumbing its nose at a full takeover as the indebted oil and gas firm tries to shore up its funding.

Santos, which also named a new chief executive, has been assessing a takeover bid and offers for individual assets over the past month as it scrambles to pay down \$8.8 billion in net debt, but previously ruled out an equity raising.

Under the plan, one of China's most successful private equity funds, [Hony Capital](#), whose backers include state-sponsored [Legend Holdings](#), Singapore's [Temasek](#), Abu Dhabi Investment Authority and Canada Pension Plan Investment Board, will become Santos's top shareholder with a 7.9 percent stake.

"The initiatives announced today put Santos's balance sheet beyond question," Santos executive chairman Peter Coates said on a conference call.

The planned share sales will increase the company's issued capital by 70 percent.

Santos's jilted suitor, Scepter, a fund backed by Brunei and United Arab Emirates royals, saw the share sale to Hony for what was effectively a 17 percent discount to the proposed offer of A\$6.88 a share as a snub and was set to walk away.

"They're going to get the hint ... they're not wanted. They'll move on," said a person familiar with Scepter's thinking.

Santos has been saddled with debt tied to its biggest project, the \$18.5 billion Gladstone Liquefied Natural Gas (LNG) plant off Australia's east coast, just as oil prices collapsed.

In August it effectively put all its assets up for sale, looking for the best way to beef up its balance sheet.

It will sell A\$3 billion in new stock, mainly to existing shareholders at A\$3.85 a share, a hefty 35 percent discount to its last trade and below a 15-year-low hit in September.

"They are addressing, albeit very late, the concerns," said Paul Xiradis, chief executive of fund manager Ausbil Dexia, which has a small stake in [Santos](#).

Rating agency [Standard & Poor's](#) said it would maintain a negative outlook on Santos's 'BBB/A-2' credit rating.

Hony, which already owns a tiny stake in Santos, will receive a share placement at a premium and will then exercise the rights to existing shareholders for a total investment of A\$700 million at a blended value of A\$5.71 a share.

It has agreed to hold its stake below 10 percent for at least three months. A Hony spokesman declined to comment on the proposal.

Santos also agreed to sell its stake in the Kipper gas field to Japan's [Mitsui & Co Ltd](#) for A\$520 million, which Coates said beat most analysts' estimates on the stake.

All the funds raised will be used to pay down debt.

Santos named another Scot, Kevin Gallagher, to replace CEO David Knox on Monday. The industry veteran, 50, was poached from the top job at engineering services firm Clough Ltd and will join Santos in early 2016.

(\$1 = 1.4235 Australian dollars) (Reporting by Sonali Paul; Editing by Richard Pullin)

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