

SE Business
HD **Horizon's merger with Roc is 'crazy'**
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ROC **Oil**'s only significant shareholder, Allan Gray, has blasted as "crazy" and "stupid" a \$300 **million** nil-premium reverse takeover by Horizon **Oil** that Roc investors are powerless to stop.

In a blistering attack on the friendly all-scrip merger, in which Horizon shareholders will take 58 per cent of a combined \$800m **company**, Allan Gray managing director Simon Marais said he struggled to see benefits.

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"It seems crazy to us, I don't really understand why they have done such a stupid deal," Mr Marais, who speaks for 19.56 per cent of Roc's stock, said before a meeting with Roc management.

The meeting was ongoing as The Australian went to press last night. The all-scrip merger, which values both companies at where they traded before the deal was announced, is targeting increased scale.

It would create an Asia-Pacific **energy company** with cash-producing assets and growth options in **China**, Papua New Guinea, Malaysia, Myanmar, New Zealand and Australia.

Roc chairman Mike Harding will be chairman and Horizon chief executive Brent Emmett will be chief executive of the new **company**, which Mr Harding said could be revalued at \$1.1 **billion** if the market re-rates it at metrics applied to similar-sized companies.

The transaction, which received a generally positive reaction from analysts, has been structured as a reverse takeover where the smaller **company**, Roc, buys Horizon shares through a scheme of arrangement. This means Horizon shareholders will get to vote on the deal but not Roc shareholders.

Mr Emmett said the structure of the deal would allow Horizon convertible notes to be retired and provide a better chance the deal would be approved.

"We have a good relationship with all of our shareholders, they've been very supportive, and we believe by structuring the deal in this way that we could deliver certainty to both companies in delivering the merger," he said.

Mr Marais was not happy Roc shareholders did not have a vote. "I don't know what we can do — we will see what we can do to reverse it," he said. "I can't see the benefit of putting the companies together, it seems like Roc is putting in a lot more assets for a smaller **stake** of the companies, and then you don't get to vote on it, which is just terrible." Roc fell 0.5c to 45c and Horizon fell 1.5c to 35.5c, which was still higher than where it was trading before it shot higher last week amid rumours it was to be taken over.

Under the deal Horizon shareholders will receive 0.724 Roc shares. "The merger is demonstrably in the best interests of all shareholders," Mr Harding, who was not available to explain the structure of the deal yesterday, said in a statement. It has the unanimous support of the Roc and Horizon boards and respective management teams." JPMorgan analyst Ben Wilson agreed Roc assets might have been undervalued but said there were advantages for the smaller **company**.

"It looks as though Roc holders may be giving away some of their upside in the merger," Mr Wilson said.

"However, it is not cut and dried because Roc has a very high percentage of its value in sanctioned and producing assets. In contrast, Horizon has a lot in PNG gas, which is less certain to be developed yet also offers greater blue sky potential."Criterion P27

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