



HD *China Merchants in Talks to Buy Stake in Four Australia Ports, Source Says

WC 689 words

PD 17 July 2014

ET 18:56

SN Dow Jones Institutional News

SC DJDN

LA English

CY Copyright © 2014, Dow Jones & Company, Inc.

LP

17 Jul 2014 04:56 ET *China Merchants Seeks to Buy 51% of Asciano's Ports Unit, Source Says

17 Jul 2014 04:56 ET *Ports Stake Could Be Worth Around \$1.03 Billion, Source Says

TD

17 Jul 2014 04:56 ET *Talks Stall on Asciano's Reluctance to Sell More Than 49%, Source Says

17 Jul 2014 04:56 ET *Asciano Advised by J.P. Morgan, Goldman Sachs on Ports Sale, Source Says

17 Jul 2014 04:56 ET *China Merchants, Asciano Talks Codenamed 'Project Guinness', Source Says

17 Jul 2014 05:38 ET China Merchants in Talks to Buy Stake in Australian Ports

By Daniel Stacey

SYDNEY--China Merchants Group Ltd. is in talks to buy a large stake in four Australian container ports, the latest push by Asian investors to own infrastructure vital to regional trade networks, a person familiar with the situation said.

China Merchants is seeking to buy a majority stake in Asciano Ltd.'s Patrick Terminals and Logistics business, which runs international container terminals in Sydney, Melbourne, Brisbane and Perth, the person said.

However, recent discussions with Asciano over a deal worth around 1.1 billion Australian dollars (US\$1.03 billion) have foundered because the Australian transport group is reluctant to sell more than a 49% stake and cede control of the business, the person said.

Asciano is being advised by Goldman Sachs and J.P. Morgan on the process to sell the stake, which is code-named "Project Guinness," the person said. While talks with China Merchants have taken place on and off for two years, Asciano recently signed a 60-day memorandum of understanding with the state-owned Chinese conglomerate to progress a deal, the person added.

An Asciano spokesperson didn't reply to a request to comment. China Merchants declined to comment.

China Merchants, which owns property and banking businesses, has long viewed Australian export infrastructure as an attractive investment.

In April, China Merchants was part of a consortium that successfully bid A\$1.75 billion for a 99-year lease on the Port of Newcastle in eastern Australia put up for sale by the New South Wales state government. The port exports coal produced by mining companies including Glencore PLC, Peabody Energy Corp. and Rio Tinto PLC.

China Merchants also has a ports joint venture with France's CMA CGM S.A., the world's third-largest shipping company. In May, CMA CGM lost out in bidding for the rights to build a new A\$1.6 billion container terminal in Melbourne.

Patrick's ports business is valued at around A\$2.2 billion, the person said. The business generated earnings before interest, tax, depreciation and amortization of A\$198 million in the fiscal year through June, 2013, or 19% of Asciano's profits as a whole.

Still, the ports operation is facing headwinds as Australian state governments seek to inject competition into the sector and bring down freight costs for local businesses.

In 2008, the Port of Brisbane Corp. signed up Hong Kong-based ports operator Hutchison Whampoa Ltd. to build a third container terminal. A year later, Sydney Ports Corp. also signed a deal with Hutchison Whampoa to expand capacity at Port Botany. Another foreign investor-- International Container Terminal Services Inc., based in the Philippines--won a contract in May as part of a consortium to build a third container terminal in Melbourne.

These new terminals will all compete with Patrick's ports and could crimp profit margins, the person said.

Asciano previously put its ports business up for sale in 2009, as management tried to raise funds to repair its balance sheet. China Merchants's former chairman Fu Yuning publicly expressed interest in the port assets two years later.

In Australia, China Merchants also owns the country's second largest provider of wooden pallets, Loscam Ltd. It bought the business from private-equity firm Affinity Equity Partners in 2010.

Write to Daniel Stacey at daniel.stacey@wsj.com

(END) Dow Jones Newswires

July 17, 2014 05:38 ET (09:38 GMT)

IN i763 : Port/Harbor Operations | i74 : Marine Transport | iindstrls : Industrial Goods | itsp : Transportation/Shipping | iship : Water Transport/Shipping

NS c18 : Ownership Changes | c181 : Acquisitions/Mergers/Takeovers | ccat : Corporate/Industrial News | ncmac : Commodities Asset Class News | nenac : Energy Asset Class News | neqac : Equities Asset Class News | nfxacb : Forex Asset Class Basic News | nfxacp : Forex Asset Class Premium News | npcdn : DJ Dominant News - Commodities | npdn : DJ Dominant News - All | npendn : DJ Dominant News - Energy | npfxdn : DJ Dominant News - FX | npqan : DJ Dominant News - Equities | ntop : Top Wire News | nttwn : Today's Top Wire News | cactio : Corporate Actions | ncat : Content Types | ndj : Dow Jones Top Stories | nfact : Factiva Filters | nfcpin : FC&E Industry News Filter | redit : Selection of Top Stories/Trends/Analysis

RE austr : Australia | china : China | brisbn : Brisbane | melb : Melbourne | phlins : Philippines | victor : Victoria (Australia) | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia | queensl : Queensland | seasiaz : Southeast Asia

PUB Dow Jones & Company, Inc.

AN Document DJDN000020140717ea7h000zf