



HD Santos reboots with \$2.5bn sale

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LP Australia's Santos revealed plans 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 per cent stake.

TD The initiatives announced 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 per cent.

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 per cent 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 per cent 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](#).

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