

HD APA wins BG pipeline auction in Australia

BY by Paul Whitfield

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The U.K.'s BG Group plc has agreed to sell its Australian gas pipeline business to Australia's APA Group Ltd. for \$5 **billion**, striking a second pipeline **sale** in the seven months since it ushered its CEO out the door for failing to offload assets.

APA, Australia's largest gas pipeline operator, said the deal valued QCLNG Pipeline Pty Ltd. at about 13 times its \$383 **million** of forecast Ebitda for its 2016 financial year.

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"The **sale** of the QCLNG pipeline is in line with our strategy to focus on BG Group's core areas of **oil** and gas exploration and production and LNG," said BG's acting CEO and chairman Andrew Gould.

The **sale** is the biggest disposal since Gould replaced Chris Finlayson at the helm in late April, with a promise to accelerate the pace of disposals needed to fund new investment and to return cash to shareholders. BG in October named Statoil ASA CEO Helge Lund as its new head, though he will not take up the position until March. BG on Dec. 1 executed an about-turn on the highly regarded Lund's pay package following a shareholder revolt.

For APA, the pipeline **purchase** will add 543 kilometers of new pipes that connect to its east coast Australian network, and a route between the inland gasfields of the Surat Basin and the huge LNG export terminals located at Gladstone in the northeast. The pipelines revenues are secured by 20-year contracts with BG Group **operations** and **China** National Offshore **Oil** Corp.

"The **acquisition** of the QCLNG pipeline allows APA to obtain exposure to the globally-significant east coast LNG sector and expands APA's contracted revenue base with revenue from highly creditworthy counterparties," APA CEO Mick McCormack said in a statement.

APA secured the **acquisition** following an auction that also drew bids from consortiums led by Australian fund managers AMP Capital Investors Ltd. and IFM Investors Pty.

Sydney-based APA said it will fund the **purchase** by selling A\$1.8 **billion** (\$1.5 **billion**) of shares with the balance coming from a \$4.1 **billion** syndicated bridge loan. The shares will be sold through a 1-for-3 rights issue priced at A\$6.60 per share — a 17% discount to APA's closing price on Tuesday. Shares in APA were suspended Wednesday at APA's request and will not resume trading until Dec. 15.

Ratings agency Moody's Investors Service Inc. gave its blessing to both APA's **acquisition** and its funding on Wednesday. "The addition ... to APA's pipeline portfolio will be positive for the group's business profile, as it reduces ... overall exposure to volume risk and broaden(s) its revenue diversification beyond the Australian market," noted Moody's senior analyst Spencer Ng. "These benefits provide credit support." Moody's rates APA's debt at Baa2 with a stable outlook.

BG said the **sale** would result in a post-tax profit of about \$2.7 **billion**. It will retain control of the remaining QCLNG assets, including the main two-train liquefied natural gas export facility at Gladstone. Those assets were worth about \$2 **billion**, the **company** said.

BG will use the proceeds to reduce debt, which stands at about \$10.4 **billion**, and to fund new investments.

The **company** is likely to remain under pressure to secure more sales and return cash to shareholders, with analysts tipping it to offload stakes in newly producing Brazilian **operations** and promising fields in East Africa.

Shares in BG traded Wednesday at 897.2 pence, down 1.6 pence, or less than 1%, on their Tuesday close. The **company**'s market capitalization has tumbled just over 31%, to £31 **billion** (\$48.6 **billion**), since the start of the year.

CO brgas : BG Group PLC | statl : Statoil ASA

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