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HD Santos sinks as strategy gets thumbs-down

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LP Santos shares plummeted 27 per cent as the embattled Adelaide oil and gas company returned to the bourse for the first time since announcing the end of a public sales process in favour of a \$2.5 billion equity raising.

Santos shares sank \$1.61 to \$4.30 yesterday, on trade of almost 52 million shares, as investors reacted for the first time to executive chairman Peter Coates' decision on Monday to conclude a three-month strategic review and shy away from major asset sales.

TD Apart from selling Santos' 35 per cent stake in the Kipper gas field off Victoria, the company kept its portfolio intact. It also rejected a conditional \$7.1 billion takeover offer from Sceptre Partners, at \$6.88 a share, as too cheap.

To address its \$8.8 billion debt pile, Santos instead embarked on the equity raising and a \$500 million share placement to Chinese private equity player Hony Capital. The Hony placement was done at \$6.80 a share, a sign Santos had hoped would instil confidence in other investors.

The institutional component of one-for-1.7 renounceable entitlement offer, priced at \$3.85 a share, was completed yesterday when Santos announced it had raised \$1.17 billion. The take-up was 86 per cent, with the left-over stock later sold into a bookbuild at \$4.60 a share.

The retail component of the entitlement offer, to raise about \$1.35 billion at \$3.85 a share, opens next Tuesday.

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