

**HD** Shell to sell most of Woodside stake for \$5.7B

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Royal Dutch Shell plc said Tuesday that it is selling 19% of Woodside Petroleum Ltd. for about \$5.7 billion, realizing a long-held ambition to cut its 23.5% stake in Australia's largest independent gas and oil company after the government blocked a hostile takeover 13 years ago.

Shell will sell about 9.5% of its stake, equating to 78.27 million shares, back to Woodside at \$34.24 per share for a total \$2.68 billion.

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A further 9.5% stake will be offloaded at A\$41.35 per share in a secondary offering underwritten by Goldman Sachs Group Inc. and Citigroup Inc., taking in a further A\$3.24 billion (\$3.03 billion).

The sale is "part of our drive to improve Shell's capital efficiency and to focus our Australia growth in directly owned assets," Shell CEO Ben van Beurden said in a statement. The sales will take the Hague-based company's disposals to about \$10 billion since the start of the year, bringing it closer to a target of \$15 billion of asset sales by the end of 2015.

Shell has been looking to exit its position in Woodside since 2001 when the London-listed oil group's A\$10 billion hostile bid was unexpectedly blocked by Australia's then-treasurer Peter Costello.

Shell, which owned about 34% of Woodside, fell afoul of the government over fears that it would limit output from Woodside's North West Shelf venture in an effort to maximize revenues from its other gas and oil projects.

Shell said it will bank about \$5 billion from the sale. The company declined to say what it will do with its remaining 4.5% stake in Woodside, which it will have to keep for at least 90 days following completion of the disposals announced on Tuesday.

The sales will largely remove an overhang that had weighed on Woodside's valuation and could spark takeover interest, according to analysts. Given past opposition to a foreign bidder, the most likely suitor is Australian mining company BHP Billiton Ltd., which has been making a push into oil and gas.

Woodside CEO Peter Coleman told analysts Tuesday that he didn't expect bids for the company. "We are certainly not thinking about setting the company up for a takeover," he said on a call.

Woodside has cash to spend on its own acquisitions after booking \$2.3 billion of free cash flow from \$5.9 billion of sales in 2013. The company said on May 22 that it was targeting deals in the range of \$1 billion to \$5 billion to add growth to its business after abandoning a \$2.5 billion investment in Israel's Leviathan field.

Woodside's acquisition of the 9.5% stake, at a discount of 14% to the volume-weighted average per share price over the past week, will boost earnings per share by about 6% from this year, the company said. The acquisition needs the support of the holders of 75% of its shares who vote at a meeting scheduled for August.

Shell's sale came a day after Woodside's stock hit a three-year high on Monday of A\$42.85 per share, having gained about 23% over the past year. Its shares were suspended on Tuesday.

Woodside is taking financial advice on the deal from Gresham Partners. Shell took legal advice on the **sale** from an Australia-based Clifford Chance LLP team led by Lance Sacks.

Separately, Shell and BP plc said they are expected on Tuesday to announce significant deals with **Chinese** state-owned companies during a three-day visit to the U.K. by **Chinese** Premier Li Keqiang. Shell will announce a new cooperation agreement to develop gas projects with **China** National Offshore **Oil** Corp., or CNOOC, while BP will unveil a £5 **billion** (\$8.5 **billion**) deal to supply gas to **China**, according to U.K. media reports.

**CO** gldmns : The Goldman Sachs Group Incorporated | mlp : Royal Dutch Shell PLC | wodpet : Woodside Petroleum Ltd

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**IPD** \$ 1-10 Billion

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