

FINANCIAL REVIEW

SE Market Wrap - Street Talk
HD **APA prepares giant rights issue to buy \$5.5b pipeline**
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APA Group's shareholders were bracing for the year's second-largest **equity** raising on Tuesday night, in an effort to fund a \$5.5 **billion acquisition** in Queensland.

Sources said APA would work late into the night so it would be able to unveil a \$1.7 **billion** to \$2 **billion equity** raising on Wednesday morning.

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The raising was to be done as a renounceable rights issue to existing investors and underwritten by Deutsche Bank, Macquarie Capital and Morgan Stanley.

APA was preparing the funding package after being selected as the preferred bidder for BG Group's Queensland gas pipeline, as revealed by The Australian Financial Review on Tuesday afternoon.

It's understood APA made a winning bid at close to \$5.5 **billion**, which was enough to see off rivals including IFM Investors, QIC Limited, AMP Capital and **China** Investment Corporation. A deal is expected to be announced before the ASX opens on Wednesday.

APA and its rivals lobbed bids on November 28, before meeting with BG in Sydney on Monday.

It is understood a handful of BG executives made the trip from London for the final discussions.

BG will continue to own the gas project and wanted to meet the potential owners of the pipeline, which carries gas 540 kilometres from the fields to the processing plant in Gladstone. APA is expected to tell shareholders that the deal will be accretive and defend the larger than expected price tag.

APA chairman Len Bleasel told the Financial Review in November that his **company** was counting on debt and **equity** markets to support their bid for the BG pipeline.

APA also had \$800 **million** of cash and undrawn debt funding as of June 30, which was bolstered by \$780 **million** from the recent **sale** of its 33 per cent in gas distributor Envestra.

The BG auction's closing price is set to confirm a red-hot market for infrastructure assets, with listed players able to compete with unlisted funds because of their low cost of **equity**. Goldman Sachs ran the auction, while the final price ended well above initial expectations thanks to the tariff arrangements and competitive bidding.

It will be interesting to see whether the auction sparks selling intentions in the other two LNG ventures under construction in Queensland.

Santos's GLNG venture and Origin **Energy's** Australia Pacific LNG venture would have been watching the **sale** closely, as they decide whether to sell their projects' pipelines.

CO austpi : APA Group | brgas : BG Group PLC | chinvm : China Investment Corp. Ltd. | mcqbnk : Macquarie Group Limited

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