

SE MarketWatch
HD **Cashed-up Woodside on hunt for assets after record profit**

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WOODSIDE Petroleum chief Peter Coleman, on the hunt for big acquisitions to provide much-needed growth options, says he expects better opportunities as **oil** majors sell assets and **China's** appetite for new purchases dwindles.

While considering acquisitions of about \$5 **billion**, Mr Coleman hinted at a buyback with cash that was — until voted down by shareholders this month — earmarked for a buyback of most of Shell's 13.5 per cent **stake** in the **company**.

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Woodside yesterday delivered a record first-half profit that sent shares to a fresh three-year high.

Net profit rose 27 per cent to \$US1.1bn (\$1.18bn), in line with expectations, as the Pluto LNG plant at Karratha began delivering at close to full capacity and boosting cashflows.

Free cashflow of \$US1.825bn was up 158 per cent on a year earlier, while net debt dropped to \$US623m, from \$US2.25bn a year earlier.

Shares rose 33c to \$43.38.

Mr Coleman said the **company** would continue to look at acquisitions worth up to \$US5bn in the wake of a decision this year to walk away from a deal to enter the Leviathan gas project in Israel.

"We have a view that **M&A** opportunities are coming on to the market and they are better priced than what they were two years ago — we're going to look long and hard at those opportunities," he said.

Global majors like Shell have been cutting capital spending and selling assets as they focus on cashflow and profit, while at the same time many global companies have been returning their focus to North America to chase the shale boom. "You've seen a lot of talk about improving return on capital employed — really the only way you can do that in the short term is to sell assets," Mr Coleman said.

At the same time, national **oil** companies that were heavily into the market a couple of years ago as they built resources have left.

"This in my view brings a more rational market," he said. "Their need seems to have been satisfied for the most part and in **China** and elsewhere they've been asked to account for the value of some of their own acquisitions." While there is concern in the market about Woodside's lack of near-term growth options, investors yesterday applauded the strong operational performance that has left the **company** with one of the healthiest balance sheets in the business.

"The result shows they now have more capacity for a buyback because they had less debt than some brokers expected and cashflow was above what a few people were expecting," Plato Investment Management managing director Don Hamson said. "They have a lot of cash and not much to do with it, so I still think a buyback is a good idea." Dr Hamson was one of the leading public voices against the Shell buyback on the grounds all shareholders were not being given the same option.

Woodside declared a record \$US1.11 per share interim dividend, up 34 per cent. Mr Coleman said he would talk to investors in coming weeks to inform the **company**'s decision on capital management.

CO wodpet : Woodside Petroleum Ltd | rnlp : Royal Dutch Shell PLC

IN i1 : Energy | i13 : Crude Oil/Natural Gas | i1300003 : Crude Petroleum Extraction | iextra : Natural Gas/Oil Extraction

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