

HD **Li Ka-shing Wins US\$2.2 Billion Deal for Australian Pipeline Operator -- Update**

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SYDNEY--**Hong Kong billionaire** Li Ka-shing emerged triumphant in a takeover battle for Australian gas-transmission **company** Envestra Ltd. after a rival bidder agreed to support his 2.37 **billion** Australian dollar (US\$2.22 **billion**) offer.

The victory gives Asia's richest man access to a network of pipelines spanning a combined 14,000 miles that distribute natural gas to households and businesses in major Australian cities such as Melbourne and Adelaide. It also adds to a string of offshore deals for Mr. Li in recent years as he disposes of some assets in **Hong Kong**, and comes just days after it was revealed he was considering a bid for an Irish aircraft-leasing **company**.

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Mr. Li's Cheung Kong Infrastructure Holdings Ltd. is leading a consortium that offered A\$1.32 per Envestra share, which trumped an earlier bid from Australia's APA Group Ltd. and pitted two of Envestra's biggest shareholders against each other.

Rather than raise its offer, APA said Thursday that it had decided to sell its 33% interest in Envestra to the Cheung Kong-led group. "The cash offer put forward by the consortium well exceeded our valuation of the Envestra business, even at full ownership," said Mick McCormack, APA's chief executive.

Mr. Li's offer for Envestra places a high value on the **company** by historical standards. The shares have rarely traded as high as A\$1.32, having previously only come close to that level in 2007, just before the global financial crisis took hold.

In May, Cheung Kong said it would attempt to generate cost savings by combining Envestra's **operations** with some of its other Australian power assets. Cheung Kong also owns 51% of both SA Power Networks in South Australia state and Victoria Power Networks in Victoria state. Around 80% of Envestra's assets are located in those two states.

Cheung Kong appears to be paying a relatively large premium for Envestra, based on other recent deals in Australia's power sector, such as State Grid Corp. of **China's acquisition** of a **stake** in SP AusNet Ltd., said Nathan **Lead**, a Brisbane-based senior analyst at broker Morgans.

"I just wonder if it's part of a bigger roll-up play for them," Mr. **Lead** said. "They've potentially got an appetite for further investments in the **energy** infrastructure space."

In Australia, other potential publicly listed targets could include Spark Infrastructure, already Cheung Kong's partner in Victoria and South Australia. Duet Group also has **energy** transmission and distribution assets in Victoria and Western Australia states, while state governments have privatization agendas that could spark Cheung Kong's interest.

Pipelines that connect gas fields to export plants, power generators and homes are typically monopoly assets that can provide steady, regulated returns to investors. APA owns big pipelines to export hubs and cities, while Envestra owns the thousands of "spaghetti" strands that run to separate end-users.

Australia, the world's 12th-largest economy, has seven gas-export terminals valued at about A\$180 **billion** under construction on its coastline to feed utilities overseas, supporting a need for transmission infrastructure and sparking a spate of deals in the pipeline sector. APA in 2012 paid US\$1.36 **billion** for

rival pipeline owner Hastings Diversified, while last year local pension fund QIC Global Infrastructure beat out Cheung Kong to buy the Moomba-to-Adelaide gas pipeline.

The outlook for domestic use of natural gas, however, remains cloudy after the conservative Liberal-National government last month scrapped a tax on carbon emissions that would have encouraged greater use of fuels that burn cleaner than **coal**.

Mr. Li is acquiring Envestra through a consortium that includes two of his other companies: Cheung Kong Holdings Ltd. and Power Assets Holdings Ltd.

Another **company** that he controls, Hutchison Whampoa Ltd., snapped up European assets including an Austrian telecom **company** and a British water utility after the 2008 financial crisis softened asset prices there and weakened the euro. In May, two of Mr. Li's companies agreed to buy an airport parking lot operator in Canada for \$397.5 **million** Canadian dollars (US\$366 **million**).

In January, Mr. Li raised US\$3.11 **billion** from listing his **Hong Kong** electricity **operations**. He also recently sold a **stake** in his retail business A.S. Watson Co.

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CO invest : Envestra Ltd.

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