

FINANCIAL REVIEW

SE Market Wrap - Street Talk
HD **Bankers ready pitchbooks for Santos gas pipe**

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It appears to be a matter of when, not if, investment banks will be asked to pitch for a role in selling Santos's Queensland gas pipeline.

While Santos and its GLNG project partners are yet to formally seek pitches on the 420-kilometre gas transmission pipeline, bankers are working on their pitchbooks and expect a request for proposal not too far into the new year.

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The GLNG project is 90 per cent complete and due to start exporting gas in the second half of 2015. It would make sense to copy BG Group's successful strategy and time the **sale** along with the first gas shipment.

The derisking strategy helped BG net \$US5 **billion** (\$6 **billion**) for its 540-kilometre pipeline to Gladstone only last week.

Fund managers and analysts have been crawling over Santos in the past fortnight, with falling **oil** prices and a postponed European hybrid raising causing ratings agencies to take a second look at the **company**.

While Santos has ruled out an **equity** raising in the near term, starting the pipeline **sale** could demonstrate Santos is serious about finding ways to bulk up its balance sheet and stare down doubters tipping a giant rights issue.

Santos would be expected to turn to house adviser Deutsche Bank for help, although its infrastructure and utilities team will be tied up for much of the next two years working through the NSW electricity privatisations.

Goldman Sachs ran the BG deal, while Macquarie, Morgan Stanley and Deutsche were involved on the buy side. Citi, JPMorgan and Barclays Capital were involved with the underbidders.

The underbidders would also prefer to see the GLNG pipeline come to market sooner rather than later.

The likes of infrastructure funds QIC, IFM Investors and AMP Capital, and **China** Investment Corp spent plenty of time considering Queensland LNG in the past six months, and are now looking for somewhere to apply the new-found knowledge.

Of course, Santos would have to convince its joint-venture partners that it was also in their best interest to start the **sale**.

Santos owns 30 per cent of GLNG, while Petronas and Total own 27.5 per cent each and Kogas has the remaining 15 per cent.

CO brgas : BG Group PLC | rnlp : Royal Dutch Shell PLC

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i13 : Crude Oil/Natural Gas | i1300014 : Natural Gas Extraction | iextra : Natural Gas/Oil Extraction

NS ccat : Corporate/Industrial News

RE queensl : Queensland | apacz : Asia Pacific | ausnz : Australia/Oceania | austr : Australia

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