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HD **APA gives Envestra the long good buy**
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ENVESTRA majority shareholder APA Group has sold its **stake** in the South Australian utilities **company** to **Hong Kong** bidder Cheung Kong group – realising \$784 **million** in gross proceeds.

After a lengthy silence on the \$1.32 offer that valued Envestra at \$2.37 **billion**, which trumped its own ambitions for a takeover of Envestra, APA **Energy** finally accepted the HK offer. The Cheung Kong consortium now owns 72.83 per cent of Envestra, with the unconditional offer extended to August 21.

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The deal will consolidate Cheung Kong's position in Australian utilities, adding to its 51 per cent holding in SA Power Networks, and the same stakes in Victorian power distributors Citipower and Powerco.

As previously highlighted by Envestra managing director Ian Little, it could still mean that South Australia loses one of its few listed **company** headquarters – and with the jobs of up to 100 service providers affected.

However, the consortium is yet to detail its plans for Envestra's Adelaide presence or SA workforce.

APA Group's decision will help it realise an estimated pre-tax profit of \$430 **million** to be reported in the consolidated results for FY15.

On July 25, it also received \$21 **million** as a result of the controversial fast-tracked final 3.5c dividend.

APA says it intends to use the cash for ongoing growth and investment projects over the next 12-18 months. APA managing director Mick McCormack said the cash offer put forward by the consortium would exceed its own valuation of the Envestra business, even at full ownership.

"While our rationale for owning the Envestra business remains sound, APA assessed the value proposition of the offer and concluded that selling out of this investment and redeploying proceeds in other opportunities will provide better long term value for APA securityholders." APA Group will continue to operate and manage Envestra assets under contractual arrangements until 2027.

Envestra owns about 23,000km of natural gas distribution networks and 1100km of transmission pipelines.

It has about 1.2 **million** customers in South Australia, Victoria, Queensland, NSW and the Northern Territory. Envestra is likely to post a \$150 **million** record profit when it announces its full-year results next week.

CO austpi : APA Group | invest : Envestra Ltd.

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