

FINANCIAL REVIEW

SE Companies and Markets
HD **Big strokes key in Australand block**
BY Joyce Moullakis and Robert Harley with Gretchen Friemann
WC 1,142 words
PD 22 March 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 39
LA English
CY Copyright 2014. Fairfax Media Management Pty Limited.
LP

Inside the deal

Out of the blocks

Block trades exceeding \$500m since 2011

Investment bank

Company Vendor Offer size (\$m)

UBS Transurban CPP Investment **Board** 903.3

Morgan Stanley Fortescue Metals Temasek 876.6

Citi Australand CapitaLand 848.8

UBS Aurizon Queensland government 806

UBS Transpacific Winburg Pincus 672.4

UBS Westfield Retail Trust Lowy Family 663.7

Deutsche/Craigs Sky Network Television News Corp 661.3

UBS Transurban CP2 631.3

UBS Carsales.com Nine Entertainment Co 565.6

UBS **Oil** Search UBS 562

Morgan Stanley APA Petronas Australia 539.8

CIMB Fortescue Metals Teck Resources 503

UBSQR National Queensland government 500

SOURCE: IRESS

TD

It was 3am on Wednesday when Stockland chief executive Mark Steinert got the crucial phone call.

Earlier on Tuesday evening, Steinert and his team had learnt that Singapore **property** giant CapitaLand would sell its entire **stake** in Australand **Property Group** overnight – a 39 per cent parcel worth, back then, about \$850 **million**.

CapitaLand's chief financial officer Arthur Lang, also a member of the **company**'s executive management council, was heavily involved from Singapore. But there was a potential obstacle. After an initial and smaller CapitaLand sell-down in November, conducted by Citigroup, a bilateral contract governed a future block trade.

The **company**, which had been closely tracking Australand's stock, needed the investment bank to sign off so the deal could be executed two months before the expiry of a lock-up period.

The deal team was led by Citigroup's local head of **equity** syndicate Rob Jahrling. The three times Olympic rower, who joined Citigroup four years ago from Deutsche Bank in **Hong Kong**, likely drew on his elite sporting skills and stamina as the deal team worked through the night.

Air strokes, to use a rowing term, were a risk but not an option.

Potential investors – those that had been involved in the November block – were crossed well after the market closed on Tuesday. Jahrling and his crew were attempting to gauge potential support and interest in the trade, to decide whether to sign off on bringing the allowable sell-down date forward.

News of the block spread, and The Australian Financial Review's Street Talk column published a story shedding some light on the **transaction** at about 9:30pm on Tuesday. Other investment banks are thought to have made several desperate phone calls to CapitaLand in the evening, but Citigroup had this one stitched up.

Stockland was interested and expressed this to Citigroup as the night wore on. With a lot of moving pieces, sleep was overrated. Australand is a diversified **property** operation with strengths in sectors in which Stockland has aspirations, such as **apartment** development and industrial real **estate**.

Stockland had done its homework. It had been into the Australand data room set up in the wake of GPT **Group**'s bid for Australand's non-**residential** assets in late 2012. And it had quietly amassed a 4.2 per cent **stake** through a complex cash-settled return swap in December last year, again via Citigroup.

As word of the sell-down spread through the investment community, Citigroup had some tough calls to make. The decision was made to opt for an accelerated – or overnight – book-build to ensure speedy execution and avoid news of the sell-down affecting the **transaction**. (This move would later annoy some investors who missed out on participating in the block trade.)

Stockland was betting that making the first strategic move on Australand would be an advantage.

A former UBS stalwart, Steinert took over from Stockland's veteran chief executive Matthew Quinn some 15 months ago and has quietly renewed its culture and focus. Steinert did not have a banker advising on this deal but he has brought several leading **property** investment bankers in-house.

Simon Shakesheff, the head of strategy and stakeholder relations, is a former banker with both UBS and Bank of America-Merrill Lynch. And so is Darren Rehn, who is now Stockland's chief investment officer. (Steinert had also had general discussions with his **board** about a move on Australand.)

So the gun was primed, but as Tuesday night ticked over into Wednesday morning, it still had not gone off for Stockland. Details, such as how much stock, and at what price, were still to be finalised. The 3am call brought the details. Steinert finalised the size and the price, at a fraction above what the other institutions in the trade were paying, and then at 4am cleared the deal with his chairman, Graham Bradley.

Bradley, the chairman of Stockland since 2005, answered the phone on the first ring.

CapitaLand, advised by law **firm** Clayton Utz, was made aware that a strategic player would receive a large tranche of stock. But in the early hours of Wednesday, the identity of the buyer was not revealed to the seller.

This time, Australand was kept in the dark. In the November block trade, CapitaLand needed the target's co-operation to issue a cleansing statement to enable the on-**sale** of the **sale** securities because the Singaporean **company** had a controlling interest.

This time the target was out of the loop. Australand was officially communicated with after it was done. A trading halt was ordered as Australand rallied its defence advisers, Fort Street and Macquarie Capital, as temperatures were again rising. Law **firm** King & Wood Mallesons was also on deck.

Stockland had now obtained a 19.9 per cent strategic **stake** at an average price of \$3.78 for a total of \$435 **million**. That was split between a 15.7 per cent direct interest and the 4.2 per cent indirect holding, amassed earlier to evade market attention. Institutions had picked up shares at a slightly bigger discount at \$3.75 apiece.

Australand's chairman and CapitaLand's representative on the **board**, Olivier Lim, swiftly resigned as chairman, and Paul Isherwood was tapped to take over in the role.

Given the hype, the information was digested quickly by the market and few believed it was game over as Australand had been in play for a year.

The chunky block trade got a mixed response from analysts in the sector, as they crunched the numbers on synergies and the broader implications of Steinert's strategic move. And some fund managers were still throwing their oars overboard in frustration that they didn't get an opportunity to participate. The shares rallied.

AMP was quick out of the blocks with an increased substantial shareholder notice on Thursday, and on Friday Stockland outlined its **stake** in more detail. Further substantial shareholder notices are expected on Monday.

And with strategic **property** players and bankers already plotting their next move, there wasn't a lot of time to celebrate this week.

CO ahlaus : Australand Property Group | ambol : Fortescue Metals Group Ltd | dbsl : CapitaLand Limited | mergnz : Sky Network Television Ltd | ptrnas : Petroliaam Nasional Berhad | qrntnl : Aurizon Holdings Limited | teck : Teck Resources Ltd. | weztre : Westfield Retail Trust | ccred : Citigroup Inc. | traurb : Transurban Group

IN i831 : Financial Investments | iinv : Investing/Securities | ifinal : Financial Services | i1 : Energy | i14 : Petroleum/Coal Products | i14001 : Petroleum Refining | i211 : Metal Ore Mining | i71 : Railroads | i814 : Banking | i81402 : Commercial Banking | i81502 : Trusts/Funds/Financial Vehicles | i8150206 : Investment Trusts/Funds | i815020602 : Real Estate Investment Trusts | i85 : Real Estate Transactions | i8500031 : Residential Property Dealing/Owning | i97411 : Broadcasting | i9741102 : Television Broadcasting | i974110204 : Pay-per-view Television | ibasicm : Basic Materials/Resources | ibcs : Business/Consumer Services | ibnk : Banking/Credit | icargo : Freight/Cargo Transport | icre : Real Estate/Construction | iindstrls : Industrial Goods | imed : Media/Entertainment | imet : Mining/Quarrying | irailtr : Road/Rail Transport | irdops : Highway Operation | ireest : Real Estate | irfrght : Railroad Freight | irreal : Residential Real Estate | itsp : Transportation/Shipping

NS ccat : Corporate/Industrial News | reqris : Suggested Reading Investing/Securities | redit : Selection of Top Stories/Trends/Analysis | reqr : Suggested Reading Industry News

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

PUB Fairfax Media Management Pty Limited

AN Document AFNR000020140321ea3m0004i