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 HD Santos tanks on trading return  
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LP Santos retail shareholders are staring at a 22 per cent loss after yesterday's trading in the wake of a three-month strategic review that resulted in a \$2.5 billion rights issue, a \$500 million placement to a Chinese equity player and the \$520m sale of Bass Strait gas interests.

#### Santos tanks on trading return

TD The embattled Adelaide oil and gas player yesterday announced that 86 per cent of institutional shareholders had taken up their rights under the renounceable entitlements offer, with a bookbuild for the shortfall fetching \$4.60 a share, a 19 per cent premium to the \$3.85 rights issue price.

The shares closed at \$4.30 yesterday, down 27 per cent from Friday's close when they last traded and at a 17 per cent discount to the company's theoretical ex-rights price.

With the rights closing at 53.5c yesterday, or 32c a share in the one-for-1.7 offer, shareholders not taking part in the offer are sitting on stock and rights worth \$4.62 a share, a fraction higher than the bookbuild price but 22 per cent down on the previous close of \$5.91. Since that last close, the ASX 200 energy index has fallen 5 per cent.

"The successful uptake of the institutional entitlement offer is a clear sign of confidence in the package of capital initiatives Santos announced this week to strengthen our balance sheet and restore long-term value for shareholders," executive chairman Peter Coates said.

On Monday, Santos declared the results of the review, along with the appointment of new managing director Kevin Gallagher.

China's [Hony Capital](#) has agreed to take a 7.9 per cent stake through the \$500m placement at \$6.80 a share, taking up its entitlements, which will average down its price to about \$5.71 a share.

The \$4.62 that shareholders not taking up the offer now have is a 33 per cent discount to an indicative \$6.88 cash offer by Brunei-backed Scepter Partners, which was rejected by the Santos board as not reflecting fair value of the company's assets.

Santos chief financial officer Andrew Seaton yesterday said the offer, which Santos at the time said was rejected because it undervalued the company, was not something the board was able to engage on.

"Let's be clear, the \$6.88 from Scepter was an indicative, non-binding, highly conditional proposal. It wasn't something that was in a form we could put to shareholders, or that they could consider," Mr Seaton told ABC TV yesterday.

"There's really been minimal engagement with Scepter to date, so by taking the balance sheet off the table (as an issue), which is what we said we'd do with the strategic review, our company becomes more investable."

Under Scepter's plan, which it has not formally walked away from, former Santos managing director John Ellice-Flint would return as executive chairman of the company.

According to the 2014 annual report, Mr Ellice-Flint was still the biggest individual shareholder in May, with a stake of 2.5 million shares.

If he has kept that stake and does not take up his rights (which would cost him \$5.7m), the former managing director is sitting on a \$3.3m on-paper loss just in the past week.

Mr Ellice-Flint could not be contacted this week.

Mr Seaton admitted the company's balance sheet, while now able to weather lower oil prices, had not been set up for growth.

"The market has warmly welcomed the appointment of Kevin Gallagher and we look forward to him coming on board next year," Mr Seaton said. "I don't think the market is as focused on growth at the moment as it is on where the oil price is heading — our real focus is on making sure the company is robust in a lower oil price environment."

CO\_sants : Santos Ltd

IN\_i1 : Energy | i13 : Crude Oil/Natural Gas | i1300003 : Crude Petroleum Extraction | iextra : Natural Gas/Oil Extraction

RE\_austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

IPD\_rights issue | oil price | lower oil | managing director | executive chairman | strategic review | retail shareholders | rights issue price | institutional shareholders | chief financial officer | rights closing | balance sheet | China | theoretical ex-rights price | renounceable entitlements offer | lower oil prices | institutional entitlement offer | gas interests | oil price environment | Scepter Partners | Kevin Gallagher | Andrew Seaton | John Ellice-Flint | Matt Chambers

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