



HD Santos to Raise \$2.46 Billion With Share Issue, Gas Field Sale

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LP SYDNEY— Debt-laden [Santos Ltd.](#) said it would sell a stake in a gas field, issue new shares, and bring on board a Chinese private-equity firm as a cornerstone investor in a package of measures to raise 3.50 billion Australian dollars (\$2.46 billion).

On Monday, Santos said it would seek to raise up to A\$2.5 billion by issuing new shares to existing investors at A\$3.85 each. That represented a deep 35% discount to the stock's closing price of A\$5.91 on Friday.

TD The Adelaide-based company said it would raise a further A\$500 million by issuing around 73.5 million new shares to a unit of Chinese private-equity firm Hony Capital . The placement would be made at A\$6.80 a share, representing a 15% premium to Friday's close.

Santos has also agreed to sell its 35% stake in the Kipper gas field offshore Victoria state in southeastern Australia to Japan's [Mitsui & Co. Ltd.](#) for A\$520 million.

It comes nearly three months after Santos launched a sweeping review of its business, bringing on board Deutsche Bank and Lazard to advise on options for dealing both with its depressed stock and overtures it says it has received for assets. Details of that review were released at the same time as David Knox stepped down as chief executive of Santos after seven years.

On Monday, Santos said Kevin Gallagher would succeed Mr. Knox as managing director and CEO. Mr. Gallagher is currently CEO of Australian engineering contractor Clough Ltd., and Santos said he would likely start with the company early next year.

"The A\$3.5 billion of capital initiatives reinforce the Santos balance sheet and mark a significant step toward restoring long term value for shareholders," said Executive Chairman Peter Coates. The strategic review is now over, he added.

Late last month, Santos said it had rejected as too low a A\$7.14 billion takeover offer from Bermuda-based Scepter Partners—a private-equity firm backed by sovereign investors and wealthy members of Asian and Gulf-based ruling families. The indicative offer was worth A\$6.88 a share in cash.

Santos, which was founded in 1954, focused in its early years on domestic natural-gas production, building up a portfolio of assets in Australia before broadening into oil output and countries further afield by the late 1980s.

It is now producing and exploring in Australia, Papua New Guinea and parts of Asia, including Indonesia and Vietnam.

Santos's market value has more than halved over the past year as oil has plunged. Investors' primary concern is the company's debt, even as Santos continues to invest heavily in a major gas project on Australia's east coast.

Santos is among several companies that bet big on feeding Asia with natural gas, anticipating continued growth in developing nations' need for energy and, in particular, cleaner-burning fuels. In Australia alone, more than \$200 billion has been invested in recent years on vast liquefied-natural-gas developments that have positioned the country to more than triple LNG exports over the next five years.

Santos's flagship \$18.5 billion Gladstone project, being developed in Queensland with [Total SA](#) , recently made its first LNG shipment, but continues to suck cash from the Australian company. Along with smaller operations,

Santos also has a minority stake in a \$19 billion [Exxon Mobil Corp.](#)-led development in Papua New Guinea that began exporting gas last year.

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