

FINANCIAL REVIEW

SE Market Wrap - Street Talk

HD Pens down on Santos sales as equity option explored

BY Edited by Sarah Thompson; Anthony Macdonald and Joyce Moullakis

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LP Santos is understood to have stopped work on potential asset sales as the company and its advisers explore equity options to shore up its balance sheet.

Street Talk understands Santos, which is advised by [Deutsche Bank](#) and [Lazard](#), has turned its attention to Asia as it seeks a white knight cornerstone investor, as flagged by Street Talk on Tuesday.

TD Sources said [China Petroleum & Chemical Corporation](#), known as Sinopec, could fit the bill, while any strategic placement would likely be capped at 15 per cent of the company's issued equity and its investment would be accompanied by a rights issue to existing shareholders.

Securing a white knight backer could also effectively block any move by Santos' suitor, Middle East-backed Scepter Partners, which lobbed a \$7.14 billion indicative bid a fortnight ago. The hard part for Santos would be pricing the deal, given turbulence in the underlying stock and the oil price, and Scepter's \$6.88-a-share indicative offer. It may seem odd for Santos to offer new shares at \$5 to \$5.50 each, while also saying no to a \$6.88-a-share bid.

Santos shares closed at \$6.21 on Tuesday, up 4.4 per cent.

The decision to stop working on asset sales comes after Santos had sought bids for all or part of its portfolio, including its West Australian assets, its stake in the PNG LNG project and its gas assets off the coast of Victoria.

As Street Talk has previously reported, Santos had been seeking bids for assets of the company as a whole by October 20 before extending the deadline by one week. (Santos did strike a deal to sell its stake in the Stag oil field in Western Australia, however, that process was outside of the wider strategic review).

Santos' board, headed by executive chairman and owner of the strategic review Peter Coates, met to review the offers last week.

CO cpetc : China Petroleum and Chemical Corp (Sinopec Corp) | sants : Santos Ltd | chpc : China Petrochemical Corp

IN i1 : Energy | i13 : Crude Oil/Natural Gas | i1300003 : Crude Petroleum Extraction | iextra : Natural Gas/Oil Extraction | iioil : Integrated Oil/Gas

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