

SE Business
HD **Fosun's cash offer wins Roc Oil**
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CASH has triumphed in the battle for Roc Oil, with China's privately owned Fosun Group striking a \$474 million deal to buy the company and scuttling a controversial scrip tie-up with Horizon Oil that would have provided Roc with strong growth options.

Roc's major shareholder, Allan Gray, has applauded the new deal, calling it a pleasing resolution to a saga that saw strong shareholder opposition to the structure of the Horizon deal.

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The Roc board was not talking yesterday but the deal appears to be a concession that the strength of investor desire for cash over growth had been misread.

"The board has unanimously concluded that the (Fosun) offer is a superior option and a low-risk route to maximise immediate value for our shareholders," said Roc chairman Mike Harding, who would have chaired a merged Roc/Horizon.

"The proposal to purchase all of Roc's shares for cash is superior when considered against the alternative merger of equals with Horizon and offers a significant premium to the share price performance." The off-market Fosun offer is 69c per Roc share, a 52 per cent premium to where the shares were before the Horizon deal was announced and a 10 per cent premium to Friday's closing share price, which included gains after Roc signalled it was in talks with potential counter-bidders.

The merger of Roc's producing Chinese assets with Horizon's Papua New Guinea growth projects would have created an \$800m company with strong cashflow and growth options.

But Allan Gray, which owns 19 per cent of Roc, objected both to the proportional valuation put on minor partner Roc and the fact it had been structured so Roc shareholders would not get a say.

At the time, the Roc team painted the often vocal Allan Gray as a fund intent on drawing excessive dividends out of the company at the expense of growth — which is essential for the survival of an oil and gas company whose business depletes its reserves.

But 51 per cent of Roc shareholders backed Allan Gray's desire to be heard on the issue — not the 75 per cent needed to force a vote on the merger, but enough to send a strong message to the Roc board.

Horizon chief Brent Emmett said the Fosun deal appeared to be a nod by the Roc board to the wishes of Allan Gray and its push for Roc to deliver near-term cash rather than long-term growth.

"The board has to be cognisant of the wishes of their major shareholder," Mr Emmett said.

"We note and respect Roc's decision to be acquired for cash as a low-risk means of achieving immediate value for its assets, bringing an end to Roc's 15-year history as an ASX-listed company." He said Horizon had a strong balance sheet and remained able to pursue PNG growth projects through a recent \$200m asset sale to Osaka Gas. But he conceded dividends planned for Horizon's shareholders with some of Roc's cash would now have to wait.

Yesterday, Roc shares rose 4.5c, or 7 per cent, to 67.5c, while Horizon slipped 2.5c, or 7 per cent, to 34.5c. It is understood Fosun is keen to keep Roc chief Alan Lim in charge. If the bid is successful it will be the **Chinese company**'s first foray into **oil** and gas.

CO rocoil : Roc Oil Company Ltd | fosuni : Fosun International Limited

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