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HD How Fosun's 'palm' wrapped up Roc

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LP Inside the deal

While Horizon slept, Fosun and Roc's advisers met to strike a last-minute deal.

TD The Holiday Inn in Kings Cross has seen all kinds of deals over the years. But in the early hours of Monday August 4, it played host to its very first **Chinese** takeover of a local **oil** and gas junior.

Jon North, chief adviser to takeover target **Roc Oil**, had rushed to the hotel at 2am with three hours left to get the deal done. North, who runs his eponymous boutique J. B. North & Co was flanked by ANZ's Martin Hanrahan, **lead** adviser to Roc suitor Fosun.

On that freezing August morning they were couriering the final deal paperwork to Fosun's president of **energy** Bin Zhao, who was staying at the hotel.

And, in the lobby, the two bankers waited, exhausted and unsure if Zhao would warm to the fine print they had been labouring over all weekend.

Zhao was camped upstairs, pouring over every word with a team of lawyers.

James Stewart of Norton Rose Fulbright was Fosun's main legal eagle, and in Roc's corner was Herbert Smith Freehills' Tony Damian.

North had been holed up at Hanrahan's Sydney office all weekend ironing out the deal, after broad agreement had been reached in Shanghai. Roc had put Fosun on a tight timetable, saying if the deal was not tabled that Monday morning, and announced to market, it would run back into the arms of its far less cashed-up suitor, Horizon **Oil**.

Horizon and Roc had been engaged since April for "a merger of equals" and they were due to tie the knot on August 7, when the deal was to be put to Horizon investors at a scheme meeting.

This Roc-Horizon merger had its genesis in the winter of the previous year, over a cup of coffee between two old school friends at Toby's Estate in Woolloomooloo, the harbourside hood that abuts Kings Cross. Project - Scissors

North sewed the merger seed when was chewing the fat with Michael Sheridan, a schoolmate from his St Ignatius days, fellow second-rower in union, and Horizon CFO.

Both companies were in the same asset in **China**, while Roc had a pile of cash and Horizon had a **stake** in the desired Stanley project in PNG. It made sense, they thought.

The two men pitched the idea to their executives. **UBS's** Richard Saywell was chief adviser to Horizon.

In April, they told in market, entering a merger implementation deed.

Roc and Horizon dubbed it "Project Scissors", a nod to the game rock, paper, scissors.

But what neither side could not have predicted was the opposition from Roc's largest investor, Simon Marais's fund Allan Gray.

Marais was furious Horizon shareholders could vote on the deal but their Roc counterparts could not, and wanted to spill the Roc board.

It was perhaps Marais's vocal opposition that signalled to the world that he was open to a different suitor. Two bidders then came marching in: Fosun, moving ultra cautiously, and a United States private **equity firm**. Project Palm

Hanrahan floated Fosun's interest in to North over a bottle of white burgundy at Palm Beach, on the balcony of former Roc chairman Andrew Love's weekend.

Love had brokered the meeting. Hanrahan wanted to know if the Roc board would consider an alternative offer.

The answer was simple – they weren't shopping for an alternative, but the board would have to have a look if one were to lob.

And so Fosun's "Project Palm" was born.

Trumping an all-scrip merger is not the hardest task in **M & A** but Fosun had to be talked into settling for a minimum acceptance condition. That effort could have been helped by a Horizon own goal of sorts on June 25, when they outed Fosun on a no-names basis on legal advice.

Roc had told Horizon another bidder was in the fray – without naming them – but had no intention to disclose the approach unless a formal offer was put down.

As soon as Horizon revealed a mystery party was interested in its merger partner, the market started to price Roc with a takeover premium.

Fosun tabled its eleventh-hour bid on August 4, putting a \$474 **million** all-cash bid to buy Roc at 69¢ a share, with a minimum acceptance threshold of 50.1 per cent. Marais was chuffed. Fosun was poised to snaffle more than 90 per cent of the register when the bid closed on Friday.

Roc chairman Mike Harding was charged with breaking the news to Horizon chief Brent Emmett that the merger was off before market open on that fateful August 4.

The two men would have held onto their titles if the \$800 **million** merger of equals had gone ahead.

Meanwhile, North had hurried from the Holiday Inn to deliver the signed deal to the Bondi home of Roc's general counsel Leanne Nolan at 5.30am.

Harding dubbed the takeover the "best deal he had seen in 36 years" – after months earlier declaring the Roc-Horizon merger "the best deal he had seen in 35 years".

A happy ending at the Holiday Inn.

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