

HD **BREAKINGVIEWS-BG's \$5bln sale bodes well for Aussie M&A pipeline**

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(The author is a Reuters Breakingviews columnist. The opinions expressed are her own.) (Refiles to add dropped apostrophe second paragraph, first sentence.)

By Una Galani

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HONG KONG, Dec 10 (Reuters Breakingviews) - Australia's infrastructure **M&A** frenzy shows no sign of easing. A **sale** by Britain's BG Group of a pipeline to APA Group for \$5 **billion** confirms a pattern of fiercely competitive bidding and high valuations for low-risk assets down under. Amid red-hot investor demand, 2015 promises to be another bumper year for Australian **M&A**.

It's a chunky deal for APA, accounting for 56 percent of the **company's** current enterprise value. The country's largest owner of gas transmission pipelines will pay a multiple of 13 times 2016 EBITDA for the 543-kilometer conduit that links BG's gas fields in southern Queensland with Australia's eastern coast. APA itself trades on 12.8 times, according to Eikon. The transaction will be financed by a \$1.52 **billion** rights issue and a two-year bridge loan.

The deal comes with something of a sticker shock. Original expectations for a **sale** were \$4 **billion** or even lower. A higher final price may be partly explained by the detailed structure of the 20-year long contract. The disposal allows BG to pay down debt and adds to \$9.5 **billion** of capital already released from similar disposals of non-core transmission and distribution assets over the past two years.

The country's second biggest **M&A** deal of the year follows a pattern set by the largest. The privatisation of Australia's Queensland Motorways was expected to fetch less than \$5 **billion**. It was finally acquired in April by a consortium led by Transurban Group for \$6.6 **billion**. APA saw off competition from Cheung Kong Holdings, which outbid it earlier this year for local gas distributor Envestra, as well as sovereign funds and other strategic buyers.

The auction bodes well for Australia's **M&A** pipeline. Local governments are planning to sell infrastructure worth **billions** of dollars as they seek to raise funds to reinvest in new projects and create jobs. Assets on the block include a 49 percent **stake** in the electricity distribution network of New South Wales which alone could fetch more than \$8 **billion**. BG's disposal confirms a strong market ahead.

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CONTEXT NEWS

- Australia's APA Group announced on Dec. 10 an agreement to acquire a gas pipeline in Queensland from British gas giant BG Group for \$5 **billion**.

- The country's largest owner of gas transmission pipelines will finance the **acquisition** for the wholly-owned QCLNG Pipeline through a A\$1.84 **billion** (\$1.53 **billion**) fully underwritten rights issue and A\$4.47 **billion** of debt from a two-year bridge facility.
- BG Group said that the pipeline has a current book value of \$1.6 **billion** and that it would use the proceeds to reduce net debt and fund future growth. APA said that it expects to maintain its credit rating following the transaction.
- The deal, expected to close early in the second quarter of next year, is conditional on the start of commercial LNG deliveries and the approval of **China** National Offshore **Oil** Corporation for the change of control of the pipeline.
- The QCLNG pipeline stretches 543 kilometers and links BG Group's natural gas fields in southern Queensland to a two-train liquefied natural gas export facility at Gladstone on Australia's east coast.
- APA shares were suspended and will resume trading on Dec. 15.
- Deutsche Bank, Macquarie, and Morgan Stanley are underwriting the rights issue, according to a source.
- Goldman Sachs advised BG Group.
- APA press release: <http://bit.ly/1yzgNrQ>
- Reuters: BG Group sells Australian gas pipeline to APA Group for \$5 **billion**
- For previous columns by the author, Reuters customers can click on

(Editing by Peter Thal Larsen and Katrina Hamlin)

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