

HD Seven Group swoops on Nexus

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KERRY Stokes-controlled **mining** and media empire Seven Group has swooped on troubled Nexus **Energy**.

A merger agreement will see Seven commit \$400 **million** over several years as part of a complex proposal that offers Nexus shareholders 2c a share.

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The merger, which will require approval from 75 per cent of Nexus shareholders, marks Seven chief operating officer Ryan Stokes's first major deal since being elevated to the role for the group in August 2012.

Mr Stokes worked closely with chief financial officer Richard Richards.

The Nexus board, which is at present without a chairman, has unanimously recommended the offer as the **company** runs out of cash and tries to bring its only cash-generating asset back into production following an electrical fault.

Seven's offer represents a sharp discount to the **company**'s last trade of 5.9c before the stock was put in a trading suspension. Nexus is under pressure from a crippling debt burden, which will be relieved by an immediate \$40 **million** bridging loan from Seven to meet near-term funding commitments.

"As we have stated previously, our strong balance sheet provides us with the ability to act on investment opportunities in appropriate areas that diversify and broaden our portfolio, including the gas and **energy** sector," said Kerry Stokes, executive chairman of Seven Group.

"We believe the proposed **acquisition** of Nexus **Energy** is an excellent investment, provided there is an immediate injection of the agreed major capital in the next several weeks."

The conglomerate, which owns stakes in Seven West Media and **mining** services **company** WesTrac, flagged its intention to expand into other sectors at last year's annual meeting.

The group has been running the ruler over assets in the agribusiness, water, health and wealth management sectors, but executives believe the multiples in some areas are fully valued.

The Nexus deal, which draws on Seven Group chief executive Don Voelte's career in the petroleum industry, enables Seven to pursue an ongoing agenda of identifying opportunities during a down cycle in the **mining** sector.

In February, Mr Voelte resigned suddenly from the Melbourne-based Nexus because of a potential conflict of interest.

Seven insiders said the crown jewel asset in Nexus's portfolio was a **stake** in the Shell-operated Crux gasfield in Western Australia's Browse Basin.

The Stokes camp believes **China** and the Asia region will become more reliant on liquefied natural gas to supply their fast-growing economies, with the proximity of a world-class **mining** field to these markets placing the asset in an optimal position.

Associates of Mr Stokes also believe in the fundamentals of the **energy** sector, and the move will enable the group to create a new revenue stream beyond the core drivers in **mining** and media, both of which have been under pressure in recent years.

Mr Stokes was adamant Australia would play a big role in the Asia region as a supplier of the world's **energy** needs.

Mr Stokes, who controls 67 per cent of Seven's voting stock, is a passionate champion of Australian expertise in the **mining** industries, and yesterday talked up the merits of Nexus remaining in "Australian hands".

Shares in Seven Group gained 3c to \$8.26.

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