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CORPORATE FINANCE



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Pacific Energy finds sm



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Ten years after completing a company-defining acquisition, remote power operator Pacific Energy has struck another similar deal.

IN 2008, Pacific Energy struck a \$77 million deal to buy Kalgoorlie Power Systems, with the Goldfields-based remote energy provider anchoring the listed company ever since.

KPS, which had been operating for 27 years at the time of the tie-up, has continued to expand as part of the listed company.

Its founder, Ken Hall, is still active in the business, as well as being a 50 per cent shareholder in Pacific Energy.

Ten years on, Pacific Energy has struck a similar deal, agreeing to pay

Pacific managing director James Cullen said the new ownership structure would allow Mr Hodges to get on with what he liked.

"He is motivated by winning work and building power stations and not having to deal with banks," Mr Cullen said.

"We will take that away from him (dealing with banks)."

Pacific Energy currently has contracted capacity of 308 megawatts.

Most of that is in the KPS business (292MW), which has clients including Sandfire Resources, Regis Resources and Saracen Mineral Holdings.

Contract Power will bring a further 82MW of installed capacity to the group, with 58MW under long-term contracts and the balance on care and maintenance.

Its clients include Pilbara Minerals, Galaxy Resources, Blackham Resources and state government utility Horizon Power.

Pacific will maintain the two brands, and the two businesses will be free to bid against each other.

"However, we will go in at my level and advise the client that Pacific owns both businesses, and if the client wants just one of them to bid, that is fine," Mr Cullen said.

"The main thing is full disclosure."

Their main competitors include Zenith Energy, which listed on the ASX in May last year to support its rapid expansion.

REMOTE POWER COMPETITORS

Aggreko

APA Group

Contract Power Group

Energy Developments

Kalgoorlie Power Systems

Zenith Energy

Zenith has a contracted capacity of 183MW under its 'build own operate' model – about double what it had at the time of listing.

Other competitors include Chinese-owned Energy Developments, which bought enGen in 2011, international group Aggreko, and APA Group, which is focused on remote power stations linked to gas pipelines.

Strategy

Mr Cullen said Pacific Energy would not try to squeeze big cost savings or other synergies out of its new acquisition.

"We are both very lean businesses already, there is just not that opportunity," he said.

"It's a bolt-on acquisition, but very seamless; in terms of integration, it should be very simple."

Mr Cullen said there was more upside in terms of better service delivery and sharing of technology and innovations.

Mr Hodges has committed to stay in the business for at least two years and Mr Cullen hopes he will stay for longer, just as Mr Hall has remained active,

“It's a bolt-on acquisition, but very seamless; in terms of integration, it should be very simple – James Cullen

\$90 million for Contract Power Group, which was established more than 25 years ago by Leon Hodges.

Contract Power has enjoyed rapid growth in recent years and was looking for an equity partner to strengthen its balance sheet.

Mr Hodges hired corporate adviser Tim Day to advise on options, which included potential investments by infrastructure funds and private equity groups.

He opted to become part of Pacific Energy, which will maintain KPS and Contract Power as autonomous competitors.



BENEFITS: James Cullen

primarily as a mentor and on R&D projects.

Pacific finalised the Contract Power acquisition in a short space of time after the two parties started talking.

"It was a very friendly transaction," Mr Cullen said.

"The deal structure was agreed quite quickly, and it was simple.

Smooth M&A path



says Pacific's acquisitions provide upside in terms of better service delivery and sharing of technology. **Photo: Attila Csaszar**

"We think it was fair for all parties."

Pacific valued the deal in two ways – Contract Power's earnings and the value of its assets, including dormant assets.

"Because we're in the industry, we see value in the assets," Mr Cullen said.

"Even if they're not generating any revenue today, if we win a job tomorrow

and a dormant power station is available, we can pull it down and relocate it."

He said Pacific Energy was paying six times Contract Power's expected underlying earnings, averaged across 2019 and 2020.

"The beauty of these businesses, they have long-term contracts, so we have a lot of visibility

on their future earnings," Mr Cullen said.

"The multiples we used are only marginally below what we're trading at.

"Therefore we don't expect a quick rerate but see long-term value."

He said Pacific Energy was continuing to seek growth opportunities, not just in the mining sector in WA, with its targets

including grid-connected power generation, along with hydro and bio assets, and opportunities in Africa.

"We're tendering and chasing a lot of opportunities," Mr Cullen said.

He noted that Pacific Energy had been shortlisted to bid on some AGL assets on the east coast, but backed out after the

Contract Power opportunity came along.

"We have always held Contract Power in highest regard out of all our competitors, and if there was only ever one acquisition to do in the sector, this would be the one," Mr Cullen said.

"This was so important to us, we wanted to ensure we got it right."



AWE, Finders battles add M&A spice

ODD: Eddie Rigg says Asic's intervention in the Finders takeover is unusual. **Photo:** Attila Csaszar

Corporate advisory firm Argonaut had a lead role in two of the most hotly contested takeover battles in WA in recent times.

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THE biggest value uplift for investors in mining and exploration companies generally comes at the end of a drill bit, but it often requires a takeover bid before the value can be crystallised.

A prime example is OZ Minerals' friendly \$418 million bid for Brazil-focused Avanco Resources, announced last week.

The offer is pitched at 17 cents per share, an alluring 120 per cent premium to Avanco's last trading price.

Another recent example is the \$602 million takeover of gas producer AWE, though it took three competing bidders before AWE shareholders got full value.

AWE's big attraction is its 50 per cent stake in the Waitsia gas field, three hours north of Perth.

Waitsia is one of Australia's largest onshore gas discoveries, and recent drilling results show it is even better than originally thought.

"Waitsia has shocked everyone by how good it is," said Argonaut head of corporate finance Eddie Rigg, who has been closely watching drilling activity in the Perth Basin for many years.

Mr Rigg was financial adviser to China Energy and Resources Group, which was the first group to lodge a bid for AWE late last year.

That was the start of a fast-moving sequence of events whereby Mineral Resources lodged a competing bid, then lifted the value of its offer and gained backing from the AWE board, before being outgunned by Japanese

50%
**AWE STAKE IN
THE WAITSIA
GAS FIELD**

giant Mitsui & Co.

Mitsui, which was advised by Rothschild and Herbert Smith Freehills, looks set to win control of AWE after

AWE BATTLE

COMPANY	ADVISER	LAWYER	PR FIRM	BID VALUE
THE TARGET				
AWE	Highbury Partnership, UBS	Allens	Cato & Clegg	
THE BIDDERS				
China Energy Reserve and Chemicals	Argonaut	MinterEllison	Cannings Purple	\$463m
Mineral Resources	Macquarie Capital	Gilbert + Tobin	n/a	*\$526m
Mitsui & Co	Rothschild	Herbert Smith Freehills	Citadel Magnus	\$602m

FINDERS RESOURCES BATTLE

THE TARGET				
Finders Resources	Salient Corporate, Deloitte	Ashurst	Fivemark Partners	
THE BIDDER				
Eastern Field Developments	Argonaut	Iffla Wade	Cannings Purple	\$177m

* \$484m initially, revised up to \$526m

“The greatest issue was the starting price was too low, and that reflected how poorly the company had been managed” - Eddie Rigg

pitching its offer at 95 cents per share.

That's a great outcome for AWE shareholders, whose stock had been languishing below 50 cents for most of last year.

Ironically, the low share price proved to be a big problem for the Chinese bidder.

“The greatest issue was the starting price was too low, and that reflected how poorly the company had been managed,” Mr Rigg told *Business News*.

He said state-owned Chinese groups had been spooked by earlier deals, in which they had paid far too much for Australian assets, and had been advised by others they

should offer no more than a 35 to 50 per cent premium.

Mr Rigg said this would make sense if the share price was trading in line with intrinsic value, but that was not the case at AWE.

The Argonaut co-founder had also wanted to snap up a sizeable stake in AWE to increase its bargaining power.

“It was frustrating,” Mr Rigg said.

“Every step along the way we wanted to buy that initial 9.9 per cent.

“If we'd done that we would have won, or at least walked away with a big profit.”

Mr Rigg said the

outcome would also have been different if the Chinese had lodged an offer before AWE undertook a placement in mid November.

“They should have acted earlier,” he said.

Argonaut had more success with another hotly contested takeover.

It advised Indonesian group Eastern Field Development on its \$177 million bid for Perth company Finders Resources.

In this case, the key asset was the Wetar copper project in Indonesia, which was commissioned in 2016 after a major expansion.

In contrast to Waitisia's drilling results, Wetar's production failed to live up to expectations.

An unusual aspect of this takeover was that Eastern Field would have been a willing seller of its stake in Finders, for the right price.

In fact, Provident Capital Partners (part of the Eastern Field consortium) originally engaged Argonaut to sell its stake in Finders.

In the absence of any

offers, it lodged a takeover last October at 23 cents per share.

The incumbent directors commissioned an independent experts report from Deloitte, which concluded fair value was between 31 cents and 35 cents.

“The directors kept on saying the offer was inadequate,” Mr Rigg said.

“We said if they attracted a higher offer, we would accept.”

Mr Rigg believes the Deloitte report was based on flawed assumptions concerning copper recoveries, production volumes and finance needs.

“We remain convinced the independent expert's report was wrong,” he said.

Mr Rigg said other shareholders in Finders had been assuming Eastern Field would lift its offer, as often occurred in takeovers.

“That was the challenging bit for us,” he said.

“We told them the company was in far worse shape than they thought.”

In the absence of any competing offers, most

of Finders' shareholders have recently accepted Eastern Field's offer.

The latest twist in the takeover was the recent intervention of the Australian Securities and Investments Commission.

It is seeking orders from the Takeovers Panel, cancelling acceptances by Taurus Funds Management and two independent directors, who collectively hold a 12 per cent stake in Finders.

Asic wants to hold these shareholders to statements they would not accept an offer at 23 cents per share.

“That's really unusual,” Mr Rigg said.

If Asic is successful, Eastern Field's stake would drop below the compulsory acquisition threshold of 90 per cent.

Mr Rigg believes that is not a problem, as he expects Wetar will eventually be folded into an international float of Indonesian company Merdeka Copper Gold, which has overlapping ownership with Eastern Field.

EQUITY CAPITAL MARKETS

RANKINGS*

FIRM	DEAL VALUE	DEAL NUMBER
LEAD MANAGERS / UNDERWRITERS		
UBS	\$2.68bn	3
Morgan Stanley	\$2.53bn	1
Euroz Securities	\$419m	5
Hartleys	\$357m	12
Morgans Financial	\$343m	3
Patersons Securities	\$139m	17
LAWYERS		
Herbert Smith Freehills	\$2.53bn	1
Gilbert + Tobin	\$429m	9
Jackson McDonald	\$255m	5
Allen & Overy	\$177m	4
Johnson Winter & Slattery	\$163m	3
Corrs Chambers Westgarth	\$132m	5
Steinepreis Paganin	\$128m	19

* March quarter transactions

ON POINT: Scott Weir (left), Dale Bryan and Ben Crossing are part of the corporate finance team at Hartleys. Photo: Attila Csaszar

Large deals boost raisings

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THE value of Western Australia-related equity capital markets deals jumped to \$4.2 billion in the March quarter, helped to a large degree by a handful of large transactions.

Of the 140 March-quarter deals listed in the BNiQ Search Engine, the largest by far was Woodside Petroleum's \$2.53 billion entitlement offer, led jointly by global investment banks UBS and Morgan Stanley.

UBS (and law firm Johnson Winter Slattery) also handled block trades for Ausdrill founder Ron Sayers and his long-time business associate Peter Bartlett.

Together they sold \$150 million of Ausdrill stock to institutional investors, in the days after Mr Sayers announced his planned retirement from the company.

Perth broker Euroz Securities and Brisbane-based Morgans

bolstered their deal flow after being selected as underwriters for Sundance Energy's \$331 million raising.

Hartleys had another busy quarter, after topping the BNiQ league tables for 2017.

It was lead manager on 12 deals that raised a total of \$357 million.

Its biggest role was lead manager for Jupiter Mines' \$240 million initial public offering, with Foster Stockbroking and Aitken Murray Capital Partners acting as co-managers.

Led by former BHP Billiton chief executive Brian Gilbertson, Jupiter's main asset is its 49.9 per cent stake in the Tshipi manganese mine in South Africa.

Jupiter delisted from the ASX in 2014 when manganese prices collapsed, but a market recovery means the open-pit mine has become highly profitable.

Unlike most company's IPOs, Jupiter was

not raising new capital to support its growth; rather, the IPO was an opportunity for existing shareholders to sell down part of their stake and create a 'free float'.

The Jupiter deal was Australia's biggest resources IPO since South32 and, outside of that, one of the largest resources IPO in 10 years.

At the IPO pricing, Jupiter's market capitalisation on listing will be about \$780 million.

Hartleys' other large raisings in the March quarter were a \$43 million placement for RTG Mining (as joint lead manager) and a \$35 million entitlement offer for struggling gold miner Blackham Resources.

Head of corporate finance Dale Bryan said Hartleys had no history with Jupiter but won the work based on its track record with resources stocks.

"It was definitely a good win," Mr Bryan told *Business News*.

"Our differentiating factor is that we talk resources to the funds and investors around Australia every day."

While the Jupiter mandate was keenly sought, the Blackham raising was very different.

It was effectively a company-saving deal and stemmed from Hartleys' relationship with Blackham's mining contractor, MACA.

It followed a similar company-saving deal for Atlas Iron, which also involved Maca.

Mr Bryan said Hartleys now had eight people on its research team, strengthening its understanding of the resources and mining services sectors.

Patersons Securities was the busiest of the Perth-based broking firm in terms of number of deals – it managed 17 deals worth a collective \$139 million.

By far the biggest was its role as lead manager for Sydney-based AJ

49.9%
JUPITER MINES' STAKE IN THE TSHIPI MANGANESE MINE

Lucas Group on a \$22.6 million placement, and an associated \$31.2 million entitlement offer.

Herbert Smith Freehills topped the lawyers' league table, courtesy of its work on the Woodside raising.

Gilbert + Tobin completed nine ECM deals for the quarter, including for Euroz clients Sundance Energy, Australis Oil & Gas and Panoramic Resources.

Jackson McDonald worked on five transactions, with its deal total boosted by its role on the Jupiter Mines IPO.

Steinepreis Paganin continued to be the busiest law firm, working on 19 ECM deals that raised \$128 million – an average of \$6.7 million.

MAJOR DEALS – March quarter 2018

EQUITY CAPITAL MARKETS

Company	Transaction Type	Amount (\$m)	Lead managers	Lawyer	Public Relations
Woodside Petroleum	Entitlement offer	2,530.1	Morgan Stanley Wealth Management, UBS	Herbert Smith Freehills	
Sundance Energy Australia	Placement + entitlement offer	331.0	Euroz Securities, Morgans Corporate	Baker & McKenzie, Gilbert + Tobin	
Jupiter Mines	Initial public offer	240.0	Hartleys	Jackson McDonald	
Ausdrill	Block trade (Ron Sayers)	101.4	UBS	Johnson Winter & Slattery	
Pilbara Minerals	Placement	79.6		Allen & Overy	Read Corporate
AJ Lucas Group	Placement + entitlement offer	52.8	Patersons Securities	Allen & Overy	
Ausdrill	Block trade (Peter Bartlett)	48.8	UBS	Johnson Winter & Slattery	
RTG Mining	Placement	43.6	Hartleys, Trump Securities	Corrs Chambers Westgarth	
Australis Oil & Gas	Placement	39.2	Euroz Securities	Gilbert + Tobin	FTI Consulting
Blackham Resources	Entitlement offer	35.9	Hartleys	K&L Gates, Corrs Chambers Westgarth	Citadel-MAGNUS
Doray Minerals	Placement	25.0	Petra Capital	Steinepreis Paganin, Allen & Overy	
Image Resources	Placement	25.0	Euroz Securities	Corrs Chambers Westgarth	
Panoramic Resources	Entitlement offer	20.9	Euroz Securities	Gilbert + Tobin, Corrs Chambers Westgarth	
Tanami Gold	Block trade	20.1		Allen & Overy	
Mustang Resources	Convertible notes	20.0	Jett Capital Advisors	K&L Gates	
Lithium Australia	Convertible notes	18.3	Jett Capital Advisors	K&L Gates	Field Public Relations
Wolf Minerals	Convertible notes	18.0			Mandate Corporate
AVZ Minerals	Placement	15.0	Cantor Fitzgerald	Steinepreis Paganin	
Botanix Pharmaceuticals	Placement	14.9	Bell Potter Securities, Argonaut Securities	Gilbert + Tobin	
AuMake International	Placement	14.0		Steinepreis Paganin	
Northern Minerals	Placement + share purchase plan	13.2	Oz Financial	Johnson Winter & Slattery	Cannings Purple
Orinoco Gold	Placement	12.2	Empire Capital Partners		Six Degrees Investor Relations
Egan Street Resources	Options exercise	12.0	Patersons Securities, Taylor Collison		Read Corporate
MOD Resources	Placement	12.0	Blue Ocean Equities, Ashanti Capital		AMN Corporate
Sky and Space Global	Placement	10.0	Merchant	Steinepreis Paganin	

MERGERS & ACQUISITIONS

Bidder	Target	Value (\$m)	Bidder adviser	Bidder lawyer	Target adviser	Target lawyer
Mitsui & Co	AWE	602	Rothschild	Herbert Smith Freehills	UBS, Highbury Partnership	Allens
Woodside Petroleum	ExxonMobil's share of the Scarborough gas field	560		Corrs Chambers Westgarth		Gilbert + Tobin, King & Wood Mallesons (for BHP)
OZ Minerals	Avanco Resources	410		Herbert Smith Freehills	Taylor Collison	Steinepreis Paganin
Chinese consortium	Tiger Resources' s DR of Congo Assets	310	Standard Chartered Bank	King & Wood Mallesons	Treadstone Resource Partners	Norton Rose Fulbright
Golden Harp	Beadell Resources	106		HopgoodGanim Lawyers	CIBC	Herbert Smith Freehills
Pacific Energy	Contract Power Group	90			Sternship	
Northern Star Resources	Westgold Resources' South Kalgoorlie Operations	80				
Firehawk Oil and Gas	Samson Oil & Gas' Foreman Butte project	53				
Zijin Mining Group	NKWE Platinum	43				
Hanking	Primary Gold	38			Longreach Capital	Bellanhouse Lawyers
Imdex	Flexidrill Construction	37				
Avanco Resources	Vale's Pantera copper project	25				
Titan Minerals	Andina Resources	20		DLA Piper		
Newfield Resources	Stellar Diamonds	19		Bellanhouse		
Manhattan Corporation	Trans-Tasman Resources	18		Gilbert + Tobin	Gresham Advisory Partners	Bell Gully
Veris	Elton Consulting	12		Steinepreis Paganin		
Mount Ridley Mines	Prometheus Developments	10	RM Capital	Steinepreis Paganin		
Wesfarmers	Demerger of Coles	WND	Gresham Advisory Partners	Herbert Smith Freehills		
HCF	HBK	WND				King & Wood Mallesons
DRA Group	Minnovo Pty Ltd	WND		K&L Gates		
DXC Technology	M-Power Solutions	WND				
Macmahon Holdings	TMM Group	WND	Azure Capital	Johnson Winter & Slattery		Synkronos Legal



CORPORATE FINANCE

There are 4,014 results from our index of 93,276 articles, 9,201 companies and 31,434 people for Corporate Finance.

BDO buys corporate advisory firm
12 Jan 2018 by Mark Beyer

The six partners in BDO's corporate finance team are Adam Myers (left), chairman Sherif Andrawes, ... the lack of competition given the dominance of corporates, the lack of consumer awareness around what ... (corporates) have such marketing power, so the main thing is promoting what the advantages are in using ...

Babylon to join ASX after \$4.5m raising
09 Jan 2018 by Tayler Neale

The legal advisor to the listing while BDO Corporate Finance was the investigating accountant. ...

Goldsworthy, Skira to Power board
08 Jan 2018 by Matt McKenzie

former Water Corporation chair Eva Skira have been appointed directors of Western Power, replacing Sharon ... She served as chair of Water Corporation for four years to 2016, and was also deputy chancellor of ... included as a governing councillor at Edith Cowan University, a director of the Export Finance

Corporate finance deals July 17 to July 21 2017

24 Jul 2017 by Edited announcement

Titanium Sands has raised \$300,000 by way of a sophisticated investor placement of 42,857,142 fully paid ordinary shares at \$0.007 per Share. ...

Corporate finance deals July 10 to July 14 2017

17 Jul 2017 by Edited announcement

Pancontinental Oil & Gas NL has successfully completed the acquisition of 100% of the shares of Bombora Natural Energy Pty Ltd. ...

Corporate finance deals Feb 13 to Feb 17 2017

20 Feb 2017 by Edited announcement

Cape Lambert Resources Limited has sold its royalty on the Mayoko iron ore project for \$1 million cash subject to the formality of the new owners signing off on the transaction. ...

Corporate finance review 2014- SPECIAL REPORT

19 Jan 2015 by Mark Beyer

Cyclical nature of business in Western Australia - and right now the corporate finance sector is struggling ... can spot opportunities in a difficult situation. For the second year running, corporate finance ... the corporate finance sector, because buried in the 604-page document was a table specifying the fees ...

Bolstered Macquarie comes out top in a lean year for corporate finance

16 Jan 2013 by Mark Beyer, Mark Pownall

Corporate finance deals falling 40 per cent to \$33 billion, WA Business News' annual survey of the sector ... www.wabusinessnews.com.au/Corporate-Finance Macquarie Capital Gresham Partners Hartleys Azure Capital Patersons Securities Euroz Securities ... the top corporate advisory spots held by local and national firms, plus a sprinkling of foreign ...

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