Headline: **Will it be second time lucky for Goldis in IGB takeover?**
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# Will it be second time lucky for Goldis in IGB takeover?

BY **TAN SIEW MUNG**

In its second proposal to take over IGB Corp Bhd in slightly over two years, the Tan family is hoping for more buy-in from minority shareholders by offering them the option to stay invested in the group.

On Feb 23, Goldis Bhd — the single largest shareholder of IGB with a 73.43% stake — proposed to acquire the rest of the shares it does not already own at RM3 per share. Its first takeover bid was made in 2014.

Goldis plans to amalgamate with IGB and make it its wholly-owned subsidiary. This would create a more cohesive and efficient operating structure while eliminating an overlap of administrative efforts and costs. IGB would be delisted upon the completion of the exercise.

Unlike the previous attempt, shareholders can choose to be compensated in three ways — 100% in cash (Option 1); 30% in cash and 70% in Goldis shares (Option 2); and 20% in cash and 80% in new redeemable convertible preference shares (RCPS) in Goldis (Option 3). The RCPS have a tenure of seven years and carry a cumulative preferential dividend of 4.3% per annum.

On Feb 28, shares of IGB rose 17.06% to RM2.95 — a record high level — from RM2.52 prior to the announcement.

While the market appears to be excited about the takeover, PublicInvest Research says in Feb 24 report that the new offer price — at a 56% discount to the research house's revalued net asset valuation (RNAV) estimate of RM6.88 — is not attractive.

IGB CORP


According to the report, the offer grossly undervalues IGB. This is due to the company's 51.1% stake in IGB Real Estate Investment Trust, which is worth about RM3 billion. In fact, about RM1 billion raised from its recent asset disposal (Renaissance Hotel) is effectively enough to finance the takeover bid by Goldis. The group still owns other hotels and offices worth more than RM3 billion — based on PublicInvest Research's estimates — that can be easily monetised.

When contacted by *The Edge*, Goldis non-executive chairman and CEO Tan Lei Cheng says, "This is not the second attempt at delisting IGB Corp."

She explains that the circumstances surrounding the recent proposal are very different compared with two years ago when Goldis only had a 32.64% stake in IGB. At the time, Goldis, together with persons acting in concert (the Tan family), wanted to make IGB a full subsidiary so that it could consolidate IGB's accounts.

"The objective of the voluntary general offer (VGO) then was to pass the 50% shareholding mark," Lei Cheng says, adding that the earlier corporate exercise had offered RM2.88 cash per share to the public, which was the same price that was paid to the persons acting in concert.

She sees the VGO as being successful as Goldis received overwhelming response and secured almost 73.32% of IGB's shares.

"Goldis owns 73.43% of IGB and Goldis' number of issued shares is approximately half of IGB's, [hence] whatever the revised value ascribed to IGB, Goldis' share of the revised net tangible asset (NTA) will always be more.

"The current NTA per share of Goldis is higher than IGB by a factor of 1.25 times. We believe this scheme to be more than fair," says Lei Cheng.

She also notes that the current scheme of arrangement offers IGB's minorities the choice to cash out at RM3 (Option 1), which is at a premium to its share price recently — the counter had been languishing at around the RM2.50 level after the VGO. Goldis is also offering two other options should shareholders wish to stay invested in the enlarged group.

But what is the value of the enlarged group? While IGB has a slew of hotels, investment properties, land and a substantial stake in IGB REIT, Goldis' only other major asset — apart from its stake in IGB and assets held by IGB — is GTower, which is booked at RM900 million in GTower Sdn Bhd's books.

Based on back-of-the-envelope calculations, which take into account Goldis' 80% interest in GTower's latest valuation and the value of its stake in IGB (based on PublicInvest Research analyst's estimated RNAV of RM6.88) net of debt, Goldis has an RNAV per share of slightly above RM10. Goldis closed at RM2.75 last Thursday.

CONTINUES ON PAGE 30

## EPF, Public RG Saving Fund hold key to success of deal

FROM PAGE 21

Under Option 2 and based on Goldis' estimated RNAV of RM10, the total consideration received for one IGB share comes up to RM8.15, which is 18% more than PublicInvest Research's RNAV of RM6.88.

"The cash offer is a backstop for those who are tired of holding IGB shares. But Options 2 and 3 offer shareholders the opportunity to stay. They can sell the shares or convert the RCPS to shares later," says a banker.

It is noteworthy that the families of the Tan brothers — Datuk Tan Chin Nam and the late Tan Kim Yeow — hold a large stake in Goldis through Tan Chin Nam Sdn Bhd (22.69%) and Tan Kim Yeow Sdn Bhd (10.85%).

Lei Cheng is the daughter of Chin Nam while Datuk Seri Robert Tan Chung Meng, who heads IGB, is the son of Kim Yeow.

A few members of the Tan family sit on the board of both Goldis and IGB. They are Lei Cheng, Robert, Tan Boon Lee (Chin Nam's son) and Daniel Yong (Kim Yeow's grandson). This supports the argument for the group to have a more cohesive and efficient operating structure.

However, some analysts from local research houses contacted by *The Edge* opine that the bid price of RM3 is unattractive based on the RNAV and book value.

"Although the other two options allow shareholders to stay with the group, their current stake will be diluted if they accept the new offer, which clearly undervalues IGB's assets," says one analyst.

Another analyst points out that the offer price is at the lowest end based on IGB's current book value of RM3.40 and revalued book value of RM5.

"Although the major shareholder has an advantage with the property market in a downward trend, IGB is different from other pure property developers as it has recurring income," he says.


Both analysts opine that Goldis' bid may fail if the dissenting vote is more than 10%.

According to Bloomberg, as at March 2, the Employees Provident Fund and Public RG Saving Fund had 5.09% and 3.58% equity interest respectively in IGB. They, therefore, will play a key role in deciding whether the deal goes through.

There are those who opine that the minorities should accept the deal due to IGB's lacklustre performance in the past year.

"Shares of IGB hardly moved for over a year. If I were a shareholder, I would take a bet with the management," one analyst tells *The Edge*.

Shares of IGB have been flat at RM2.41 to RM2.43 in the past three months. The highest level it reached in the past year was RM2.65 (August last year).

The analyst says she would opt for either Option 2 or 3 as the management has indicated that it has plans to set up an office REIT. "If the merger is to pave the way for a potential REIT, minority shareholders would still be able to enjoy the business growth," she adds.

Lei Cheng, however, declines to discuss this matter and says, "The management will assess various opportunities when the time is right." E