

IGB Bhd subsidiary sells 50% stake in property investment firm for nearly RM600m | The Edge Markets

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KUALA LUMPUR (Oct 21): IGB Bhd's indirect wholly-owned subsidiary Verokey Sdn Bhd (VSB) has sold the latter's 50% stake in property investment firm Black Pearl Ltd (BPL) to HNG Blackfriars 1 Ltd for £104.38 million (RM598.9 million) to realise VSB's investment in BPL under a deal which values BPL at £208.75 million.

In a statement to Bursa Malaysia on Thursday (Oct 21), IGB Bhd said VSB and Tower Ray Ltd (TRL), which each owned a 50% stake in BPL prior to the sale, on Wednesday entered into a sale and purchase agreement with HNG and VSB's holding company IGB Corp Bhd to sell VSB and TRL's stakes in BPL to HNG for a collective £208.75 million.

IGB Bhd said that under the agreement, the "sellers agreed to the sale of 100% of the sellers' respective equity interests in BPL, and the transfer of all of the sellers' respective rights and interests in respect of shareholder debt owed by BPL to the sellers — in each case to the buyer for aggregate headline consideration of £208.75 million".

"The directors [of IGB Bhd] consider that the transaction is beneficial to the IGB group as the transaction represents an opportunity for the IGB group to realise its investment in BPL and the proceeds will be used for general working capital of the IGB group, including but not limited to redeploying capital for more yield- and value-accretive investments.

"The original cost of [VSB's] investment was £5,000 for the 50% equity interest in BPL. As at the latest consolidated audited financial statements of IGB [Bhd] as at Dec 31, 2020, the carrying amount of VSB's investment in BPL was RM370 million, which included shareholder advances to BPL of RM376.5 million," IGB Bhd said.

IGB Bhd said BPL owns the freehold title to the land known as 18 Blackfriars Road, SE1, London in the UK and that the exchange of contracts and completion of the transaction were simultaneous on Wednesday.

According to IGB Bhd, HNG had paid cash and issued loan notes to VSB and TRL for the acquisition of the 100% stake in BPL from both sellers.

"The consideration for the transaction was determined after arm's length negotiations between the sellers and the buyer with reference to the valuation of the entire equity and debt interests of the sellers in BPL.

"The consideration for the transaction is to be settled on completion of the transaction partly in cash and partly by the issue by the buyer of loan notes in the following manner: i) £120 million, subject to certain adjustments, was paid by the buyer to the sellers at completion of the sale and purchase of BPL, which took place upon exchange of contracts; and ii) the buyer issued loan notes with a principal value of £88.75 million, which will be redeemed 24 months after completion, secured with a first charge security over the property along 18 Blackfriars Road until settlement of the second payment.

"From completion, the buyer holds 100% of the equity and debt interests in BPL and the sellers cease to hold any equity or debt interest in BPL, and the buyer [through BPL] is now entitled to all the rights, liabilities and obligations of BPL.

"IGB [Corp] has guaranteed the liability of VSB under certain of the warranties given to the buyer in the agreement in relation to BPL up to a maximum aggregate limit of £60 million," IGB Bhd said.

According to IGB Bhd, the sale consideration to be received by VSB is £104.38 million, of which VSB received £60 million in cash at completion of the transaction.

IGB Bhd said VSB will receive the remaining £44.38 million within 24 months after completion of the transaction.

"The [£60 million] completion payment is for part of the debt which BPL owed to VSB. The second payment [of £44.38 million] represents the balance of the debt which BPL owed to VSB and the value of VSB's 50% shareholding in BPL but which has now been undertaken by the buyer and is evidenced by the loan notes issued by the buyer which are secured on the property," IGB Bhd said.

On Bursa on Thursday, IGB Bhd's share price had risen one sen or 0.51% to RM1.99 at 11.05am, with a market value of about RM1.8 billion based on the company's 905.35 million issued shares.

IGB Bhd's latest-reported net assets per share stood at RM4.06.

IGB Bhd's securities trade resumed following a 9am to 10am halt on Thursday in conjunction with the BPL stake sale announcement.