

The Star, Starbizweek- Saturday, 15 February 2020 (A)

# Tiah looks to privatise TA Global

## Depressed property sentiments give stockbroker opportunity

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AMID a sombre property outlook, stockbroking bigwig Datuk Tony Tiah Thee Kian is looking to privatise his property arm TA Global Bhd via flagship financial services company TA Enterprise Bhd.

At the same time, this exercise may pave the way for Tiah to make another offer to mop up more shares in TA Enterprise.

Investors may recall that back in 2018, Tiah attempted to take TA Enterprise private at 66 sen, but this was rejected by shareholders.

At that time, independent adviser BDO Capital Consultants said the offer of 66 sen per TA Enterprise share was not fair and not reasonable. This was because based on TA Enterprise' financial results then, the company was valued at about RM4.45bil or a fair value per share of RM2.59 to RM2.60.

Tiah is looking to privatise TA Global at a price of 28 sen via TA Enterprise which owns 60.17% of TA Global.

Tiah is the chairman of TA Enterprise and executive chairman of TA Global. He is the major shareholder of TA Enterprise and TA Global via his direct shareholding of 717.64 million TA Enterprise shares or a 41.92% stake, and 538.84 million shares or a 10.13% stake in TA Global.

The problem is that Tiah's collective shareholdings in TA Enterprise is above 33% but below 50% (42.37%).

Thus, in the mechanism of the current exercise to privatise TA Global, Tiah's shareholding in TA Enterprise may increase by more than 2% and therefore trigger the threshold. This means he will be obligated to extend a mandatory takeover offer of TA Enterprise at 66.5 sen.

"Tiah is looking to kill two birds with one stone. Both offer prices for TA Enterprise and TA Global are extremely undervalued. Shareholders will likely reject both offers," said one analyst.

The property market has been in a depressed state for a few years now. Besides that, shares of TA Global have never performed well since its initial public offering in 2009 at 50 sen. There is perhaps some consolation in its steady dividends.

More significant though, the offer price of 28 sen for TA Global is 48.3% lower than TA Global's net asset value (NAV) of 60sen.

TA Global further reveals that there has recently been a revaluation of some of its material properties. This has given rise to an estimated net revaluation surplus of RM2.65bil.

After incorporating this surplus, the adjusted unaudited net assets of TA Global actually increases to RM5.86bil or RM1.10 per share.

This means that the offer price of 28 sen is a 74.57% discount to its new NAV of RM1.10.

The property analyst said that at the current depressed cycle of the property market, it is normal for most property stocks to trade at a significant discount to their book value.

"However, TA Global's discount to the NAV is rather steep, especially after taking into account the revalued NAV of RM1.10. This would appear to be the case of the owners using the bad market as an opportunity to privatise their company at a cheaper valuation," said the analyst.

### The deal

On Thursday, TA Enterprise told Bursa Malaysia that it proposed to acquire up to 2.12 billion shares or 39.83% equity interest in its 60.17% subsidiary TA Global under the conditional voluntary takeover offer (VGO) at 28 sen each.

There are two options for TA Global shareholders. The VGO can be satisfied either by cash or a share swap.

For the cash portion, TA Global shareholders will get 28 sen for each share they surrender. Meanwhile, for the share exchange, a TA Global shareholder can swap his share based

on a ratio of 0.4211 for a new share in TA Enterprise to be issued at an issue price of 66.5 sen.

On the same day, Tiah entered into a conditional shares subscription agreement with TA Enterprise to subscribe for up to 550.54 million subscription shares at 66.5 sen cash. This would raise proceeds of RM366.11mil, which will be utilised solely to fund the cash option for the proposed VGO.

The offer price of 28 sen was arrived at after taking into a few considerations.

At 28 sen, this represents a premium ranging from 12.22% to 20.85% over the five-day, one-month, three-month, six-month and 12-month volume weighted average price of TA Global shares up to and including the last practicable date.

Secondly, TA Global's unaudited consolidated net assets of about RM3.21bil, translate to 60.3 sen per share as at Sept 30, 2019.

Thirdly, there was the appraisal of market value for TA Global's material properties.

The value came up to about RM2.65bil, were opined by the independent valuers, namely Raine & Horne International Zaki + Partners Sdn Bhd, Colliers International Inc, Jones Lang LaSalle Advisory Services Pty Ltd, RHT Valuation Pte Ltd and Bangkok Hospitality Consulting Service Ltd.

Thus, based on the unaudited net book value of TA Global's material properties as at Sep 30, 2019 of about RM2.13bil, this will give rise to an estimated net revaluation surplus of RM2.65bil.

After incorporating this surplus, the adjusted unaudited net assets of TA Global as at Sept 30, 2019 will increase from RM3.21bil (60.3 sen per share) to RM5.86bil (RM1.10 per share).

Swiss Hotel Merchant Court in Singapore, Radisson Plaza Blu Hotel in Australia and Movenpick Resort & Spa Karon Beach in Thailand, among others.

Poor share price performance in the past This exercise came about because of TA Global's public shareholding spread. As at Dec 31, 2019 it stood at 24.54%, slightly below the

25% threshold. TA Global has sought several extensions of time from Bursa Securities to comply with the public shareholding spread requirement.

Bursa had recently granted TA Global an extension of time of six months until June 28, 2020 to comply with the public shareholding spread requirement.

As TA Global has no other alternative plan to remedy this problem, hence the proposed VGO and subsequent delisting came about.

In addition, the performance of TA Global shares have been declining, from its highest traded price of 53 sen on Jan 18, 2010, to 23 sen prior to the VGO announcement.

TA Global said that the proposed VGO offers the holders an opportunity to realise their investments at a premium ranging from 12.22% to 21.74% for the past 1 year.

Should this privatisation be successfully completed, TA Global will be a wholly owned subsidiary of TA Enterprise.

This means that TA Enterprise will be able to consolidate TA Global's financial results.

For the nine months to Sep 30, 2019, TA Global's net profit dropped 54.99% to Rm137.13mil on the back of a 67.18% drop in revenue to RM578.05mil.

In terms of contribution, 87.18%, 32.18% and 76.09% of TA Global's revenue for its year ended Dec 31, 2017 (FY17), FY18 and the nine months to FY19, respectively were derived from its hotel operations division through hotel room rental and related revenue.

TA Global's primary geographical markets include Malaysia, Australia, Canada, Singapore, China and Thailand for the financial year ended Dec 31, 2018 (FY18).

Meanwhile, this proposed VGO is not conditional upon any minimum level of acceptances of the offer shares as TA Enterprise holds more than 50% of the voting shares in TA Global. It is however conditional upon the approval of Bursa Malaysia as well as the non-interested shareholders of TA Enterprise, whereby an EGM will be convened.