

Sale of RHT's assets to Fortis 'on normal commercial terms': IFA

It is not deemed to be prejudicial to the interests of RHT and its minority unitholders

By Lee Meixian, The Business Times THU, AUG 30, 2018

THE independent financial adviser (IFA) to the independent directors of RHT Health Trust on Wednesday said the trust's proposed disposal of assets is "on normal commercial terms and is not prejudicial to the interests of RHT and its minority unitholders".

This is even after considering certain factors, including a reduction of 500 million Indian rupees (S\$9.7 million) from the consideration due to the parties not being able to obtain the warranty and indemnity insurance, said KPMG Corporate Finance.

RHT's trustee manager had, in November last year, received an unsolicited proposal from Fortis to buy all the securities held by RHT's Singapore subsidiaries that hold the entire asset portfolio of RHT, which includes interests in 12 clinics, four greenfield clinical establishments and two operating hospitals in India.

In February this year, the trustee manager and Fortis signed a master purchase agreement for the disposal of the assets for about S\$913.5 million, or S\$669.6 million after netting off external borrowings.

The IFA explained its conclusion, saying the premium of 6.5 per cent of the net asset value (NAV) to the estimated consideration per unit is generally higher than the average premium to NAV of similar transactions. Also, the estimated consideration per unit represents a discount of between 11.3 and 22.6 per cent to the per unit adjusted equity value.

The independent directors agree with this view and recommend that unitholders vote in favour of the proposed disposal at the extraordinary general meeting on Sept 26 at Hotel Jen Tanglin Singapore.

They also said that the proposed disposal represents a return of about 58.1 per cent and an internal rate of return per annum of about 10.2 per cent in Singapore-dollar terms and presents an opportunity for RHT to realise its investments and for unitholders to unlock value in their holdings.

Additionally, since the listing of RHT in October 2012, RHT has acquired only one new property in India - an operating clinical establishment at Mohali - and there is no assurance that RHT will be able to develop or grow the asset portfolio of RHT in India or elsewhere.

Furthermore, given the business difficulties faced by RHT's sponsor, Fortis, the trustee manager has not been able to negotiate successfully an injection of new assets into the trust, especially for third party-operated assets in India, while Fortis remains as RHT's sponsor and has an indirect control over the assets of RHT.

The period of the right of first refusal between Fortis and the trustee manager has also ceased, so Fortis does not have an obligation to offer any new medical and healthcare infrastructure assets to RHT prior to any disposal.

The disposal aside, unitholders will also vote at the meeting on the proposed amendments to the trust deed dated July 29, 2011 constituting RHT. On this, the directors are also of the view that the proposed amendment would be "beneficial to, and is in the interests of, RHT's unitholders". They recommend unitholders to vote in favour of the deed amendments.

The Securities Investors Association (Singapore) will be organising a dialogue session in relation to the proposed disposal on Sept 6 at 7pm for unitholders.

RHT units closed unchanged at S\$0.77 on the market on Wednesday.