

OUE Lippo Healthcare plans to acquire stakes in First Reit, manager Bowsprit for S\$142m

By Leila Lai, The Business Times TUE, SEP 18, 2018

OUE Lippo Healthcare Limited (OUELH) has proposed to acquire 10.63 per cent of First Reit's total issued units and a 40 per cent stake in the Reit's (real estate investment trust) manager Bowsprit Capital Corporation Limited for about S\$142 million, the healthcare company announced on Tuesday afternoon.

OUE Limited, OUELH's parent company, will acquire the other 60 per cent stake in Bowsprit.

Mainboard-listed First Reit is the Singapore Exchange's first listed healthcare Reit. It has a portfolio of 20 healthcare-related properties with stable cash flows and long lease-terms in Indonesia, Singapore and South Korea.

"The proposed acquisitions will bring three key benefits to OUELH's long-term strategic goals," said OUELH chairman Lee Yi Shyan.

"Firstly, they enable the company to diversify into a key healthcare market such as Indonesia. Further, they fit well with our asset-light growth model and thirdly, they are earnings accretive, which enhances shareholders' value."

As at June 30, 2018, Bowsprit's property portfolio was valued at about S\$1.3 billion. OUE executive chairman Stephen Riady said that the proposed acquisition will bring OUE's assets under management (AUM) to about S\$8 billion by this year and put the group on track to achieve S\$10 billion in AUM by 2019.

"The Bowsprit acquisition is part of OUE's ongoing strategy to create a sizeable asset management platform, comprising of diversified Reits," he said.

"Bowsprit and First Reit will benefit from the support, network, management skills and know-how from the company's portfolio of Reits. We will continue to enhance the AUM of our asset management platform with a view to bringing us closer to our target of doubling AUM in the foreseeable future."

The acquisitions are expected to contribute earnings of 0.26 Singapore cent per share and distribution of S\$7.1 million to the group.

OUELH will launch a renounceable underwritten rights issue to raise about S\$150 million to fund the acquisition, issuing about 2.2 billion new rights shares at S\$0.0675 apiece on the basis of one rights share for every one existing ordinary share held by entitled shareholders as at the books closure date.

OUE and Itochu Corporation, which own 64.35 and 25.32 per cent stakes in OUELH respectively, have given irrevocable undertakings to fully subscribe for their entitlements under the rights issue.

OUELH will convene an extraordinary general meeting (EGM) to seek shareholder approval for the proposed acquisitions. Itochu Corporation has given an irrevocable undertaking to vote in favour of the acquisitions at the EGM.

OCBC Bank is the sole financial adviser to the company for the proposed acquisitions, and the manager and underwriter for the rights issue.

Shares of OUE last traded at S\$1.54, down one Singapore cent or 0.65 per cent on Monday, while OUELH shares traded up 0.2 Singapore cent or 1.69 per cent to S\$0.12. First Reit units traded flat at S\$1.24 on Monday.