

HD **BREAKINGVIEWS-Aussie property bet cements risk for Thai tycoon**

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(The author is a Reuters Breakingviews columnist. The opinions expressed are her own) Refiles to fix formatting.

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By Una Galani

HONG KONG, June 5 (Reuters Breakingviews) - A Thai tycoon's \$2.4 billion bet on Australian **property** has revived concerns that he is overextending himself. Charoen Sirivadhanabhakdi took control of conglomerate Fraser & Neave last year in an \$11 billion deal. Now he is seeking to increase his exposure down under with an offer to **buy** Australand. By diversifying away from Singapore, he risks piling more debt on an empire still digesting its last big acquisition.

Cooling measures in Frasers Centrepoint's core Singapore market have caused **property** prices to stagnate. Conditions are unlikely to change ahead of key elections in the city-state in 2016. Australia's buoyant **property** market, where **residential** prices have risen by 10.9 percent in the past twelve months according to Knight Frank, looks attractive. Besides, Frasers Centrepoint already earns 17 percent of its operating profit down under.

Charoen's rich bid for diversification is likely to deter rivals. Frasers Centrepoint is offering the equivalent to A\$4.60 per unit for the Australian **group**, including dividend distributions for the first half of the year. That trumps an offer from rival developer Stockland which is mostly in shares. Charoen's bid is also 5 percent above the takeover value of Australand estimated by analysts at Credit Suisse.

Yet the bid will add to unease about Charoen's borrowings which have been bubbling since he won the battle for Fraser & Neave last year. The tycoon subsequently split the drinks-to-**property** conglomerate in two. Frasers Centrepoint's net debt is already around 5.4 times its EBITDA for 2014, according to forecasts on Eikon. That could rise to more than 8 times if it finances the Australand acquisition entirely by borrowing. Standard & Poor's cut the credit rating of one of Fraser Centerpoint's parent companies, Thai Beverage, to junk in December citing concerns about the debt profile of its related entities.

CONTEXT NEWS

- Singapore-based Frasers Centrepoint revealed on June 4 that it had made an S\$2.6 billion (\$2.4 billion) non-binding bid for Australia's Australand **Property**, trumping an offer from rival Stockland.

- Frasers Centrepoint was spun off from conglomerate Fraser & Neave in January. Thai billionaire Charoen Sirivadhanabhakdi won control of the drinks and **property** conglomerate with an \$11 billion offer in 2013.

- Australand said that it intends to recommend the proposal if Frasers Centrepoint formalises its offer at the end of an exclusive four-week due diligence period.

- The cash offer is equivalent to A\$4.60 per Australand stapled security, including dividend distributions during the first half of 2014 of 12.7 Australian cents per unit.
- Australian **property** rival Stockland on April 23 made an all-share offer for Australand equivalent to A\$4.20 per unit. On May 28 it increased the offer to the equivalent of A\$4.35 per unit.
- Stockland owns a 19.9 percent stake in Australand which it acquired from Singapore's Capitaland in March at a price of A\$3.78 per unit.
- Frasers Centrepoint's offer is equivalent to a 22 percent premium to the **company**'s estimated net tangible assets per security as of June 2014.
- On June 4, Australand units rose 5.6 percent, Stockland shares rose 1.8 percent, and shares in Frasers Centrepoint fell 4.2 percent.
- Reuters: Singapore's Frasers bids \$2.4 bln for Australia's Australand, trumps rival
- Frasers Centrepoint announcement: <http://link.reuters.com/fug89v>
- For previous columns by the author, Reuters customers can click on

(editing by Peter Thal Larsen and Robyn Mak)

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CO frasen : Fraser and Neave Limited

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