THE BUSINESS TIMES
SINGAPORE

SE Companies

HD **CapitaLand's loss could be FCL's gain in Australand deal**

BY Kalpana Rashiwala
WC 861 words
PD 5 June 2014
SN Business Times Singapore
SC STBT
LA English

LP

WHAT does Frasers Centrepoint Limited (FCL) see in Australand **Property Group** that escaped CapitaLand?

This must be a question on some market watchers' minds after FCL said yesterday that it had submitted a conditional cash proposal to acquire up to a 100 per cent stake in Australand at A$4.48 per stapled security, totalling A$2.6 billion (S$3 billion). FCL has entered into a four-week, exclusive due-diligence period, after which the plan is to launch a binding offer. A key condition is that FCL receives minimum 50.1 per cent acceptance.

TD

CapitaLand had a 59.1 per cent stake in Australand, which it divested itself of in two stages: 20 per cent last November at A$3.685 a stapled security or a total of A$426 million, followed by a **sale** of the balance 39.12 per cent stake at A$3.75 each raising A$848.8 million. "This divestment would allow us to reallocate capital to our core businesses in Singapore and **China**," CapitaLand's **group** CEO Lim Ming Yan said in March.

The total sales proceeds of around S$1.5 billion would no doubt come in handy for the already cash-rich **group** in its effort to privatise CapitaMalls Asia.

CapitaLand's involvement with Australand goes back two decades, prior to CapitaLand's formation in 2000 from the merger of DBS Land and Pidemco Land.

In 1994, DBS Land, helmed by Han Cheng Fong, bought a 65 per cent stake in Australian Housing and Land **Group** of Companies (AHL), one of Australia's biggest **residential property** development companies. DBS Land later renamed AHL as Australand and floated it on the Sydney and Singapore bourses in June 1997. In 1999, Australand acquired Walker Corporation, a **residential** and industrial **property** developer.

In November 2003, Australand stapled its shares to units in the then newly created trust, Australand **Property** Trust (APT), which bought over high-yielding office and industrial properties owned by wholesale **property** trusts that Australand had spun off a few years earlier. The stapling was aimed at providing greater income stability to stapled security holders than a pure **property** development business, where incomes are more volatile.

In early 2008, CapitaLand unveiled a tie-up with Australand to set up a pan-Asian development platform in the industrial/logistics business, though this was put on hold later that year.

CapitaLand never got into the driver's seat at Australand. Granted, this may have been difficult as Australand is a separate listed entity with its own **board** and management. That said, CapitaLand could have tried to privatise Australand, gaining full exposure to its earnings and improving its return on equity while tapping synergies to scale up operations. This did not happen.

When CapitaLand**group** CEO Liew Mun Leong retired, passing the baton to Lim Ming Yan from Jan 1, 2013, the **group** said it was reassessing its investment in Australand. It had said at the time that it regarded Australand as more of a financial investment and that the **firm** had a different business focus from its own.

So what does FCL see in Australand? And could it not have acquired a controlling stake at a much cheaper price?

FCL did not **buy** a stake in Australand during CapitaLand's divestment exercises probably because, under Australian law, the maximum it could acquire in Australand outside of an offer is 19.9 per cent. By proposing a cash offer now, it stands to gain full control of Australand.

Australand's business stretches across Australia and includes development of **residential** land, housing and apartments in addition to the development of and investment in income-producing **commercial** and industrial properties. The **group** is also involved in **property** management.

FCL entered Australia in 2000. It made its first major acquisition in 2002, when it bought a Sydney CBD **site** which it has since developed into Lumiere Residences and Frasers Suites Sydney. In 2007, it acquired the former Carlton & United Brewery **site** in Sydney, which it has started developing into a major urban rejuvenation project, Central **Park**, comprising **residential**, office and retail components, over several phases.

The **group** also owns and operates serviced residences Down Under while its sponsored Reit Frasers **Commercial** Trust owns two office buildings in the country - Caroline Chisholm Centre in Canberra, and a 47-storey premium grade office tower in Perth, also named Central **Park**.

If FCL gains full control of Australand, it can integrate the two entities and expand its Australia operations significantly. It will also be able to harness Australand's industrial **property** development expertise to grow this business - whether in Singapore or elsewhere. Even if FCL gains majority, but not full, control of Australand, it stands to enjoy a boost in asset size and earnings. In particular, recurring income will rise, thanks to Australand's attractive **commercial** and industrial **property** portfolio. FCL also stands to improve its **residential** development expertise Down Under.

Last year, Australand generated A$135.3 million net profit attributable to its stapled security holders. CapitaLand's loss could well be FCL's gain.

CO ahlaus : Australand Property Group | ceprol : Frasers Centrepoint Ltd | dbsl : CapitaLand Limited

IN i8396 : Diversified Holding Companies | i85 : Real Estate Transactions | i8500031 : Residential Property Dealing/Owning | ibcs : Business/Consumer Services | icre : Real Estate/Construction | ireest : Real Estate | irreal : Residential Real Estate

RE austr : Australia | singp : Singapore | sydney : Sydney | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | nswals : New South Wales | seasiaz : Southeast Asia

PUB Singapore Press Holdings Limited

AN Document STBT000020140604ea650000d

