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HD Press Release: Fitch: No Immediate Impact on HK's CKI from Proposed EnvestraBuy

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The following is a press release from Fitch Ratings:

Fitch Ratings-Singapore/Hong Kong-11 August 2014: Fitch Ratings says that Hong Kong-based Cheung Kong Infrastructure Holdings Limited's (CKI; BBB+/Stable) consortium bid to acquire Envestra Limited (Envestra), the Australian regulated gas distribution company, has no immediate impact on its ratings.

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CKI's share of the acquisition would amount to up to AUD666m (around HKD4.8bn or USD621m), which Fitch believes would be largely debt funded. CKI has adequate headroom under its current rating to accommodate the acquisition, and Fitch expects FFO interest coverage to remain above our threshold of 4.5x (5.0x at end-2013), should the acquisition be completed.

The CKI-led consortium has attained over 80% of shares in Envestra, including a 17.46% stake CKI already owned before the takeover bid in May 2014, as well as APA Group's 33.05% stake in Envestra. Envestra operates primarily in the states of Victoria and South Australia. The consortium comprises CKI, Cheung Kong (Holdings) Ltd (CKH) and Power Asset Holdings (PAH), each sharing a third of the cash bid for all of Envestra's shares.

The acquisition is consistent with CKI's strategy of investing in regulated utilities that provide stable and predictable returns and operate in jurisdictions with mature and transparent regulatory frameworks.

The offer is now unconditional after the CKI-led consortium achieved acceptance from over 50% of Envestra's shares. The consortium can compulsorily acquire all the outstanding shares of Envestra if it accumulates 90% of shares by 21 August 2014. The acquisition is subject to regulatory approval from the Foreign Investment Review Board of Australia and is likely to be completed by mid-September 2014.

Fitch has also factored in CKI's proposed acquisition of the assets and related land holdings of Park'N Fly, an off-airport car park provider in Canada, in a 50/50 joint venture with CKH. CKI's share of the acquisition is around HKD1.4bn. We expect the transaction to be funded through cash and debt (CKI's cash at end-1H14 was HKD5bn). Park'N Fly is Canada's dominant off-airport car park provider with operations in Toronto, Montreal, Edmonton, Vancouver and Ottawa.

Any further acquisitions in 2014 will likely erode CKI's rating headroom, although the extent will also depend on the impact of the acquired businesses on the overall quality of CKI's cash flows and on the average credit quality of its investment holdings.

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August 11, 2014 07:08 ET (11:08 GMT)

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