

Macquarie faces backlash over Koentec sale

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Macquarie Korea Opportunities Management is suffering a backlash from several members of the Ulsan Metropolitan Council over its recent attempt to sell its stake in Koentec.



A Koentec's landfill in Ulsan / Captured from Koentec website

According to sources, Thursday, the local private equity arm of the Australian financial giant recently put the Ulsan-based waste disposal service provider on the market, three years after its acquisition in June 2017.

After a preliminary bid in April that attracted numerous private equity firms and builders, MBK Partners, STIC Investments, TSK Corporation and a consortium led by IS Dongseo were shortlisted as the potential buyer. Sources said the main bid will take place this month.

Macquarie is thought to have spent about 150 billion won (\$122 million) to acquire a 59.29 percent stake in Koentec. The valuation of the shares now is estimated at around 600 billion won.

However, the Koentec deal may hit a snag after some Ulsan council members started a move to prevent the company from enlarging its landfill sites. The enlargement was approved by the Ulsan Metropolitan Government (UMG) to help local businesses that have suffered from a shortage of landfills.

The council members allege Macquarie will make unfair profits from the preferential treatment given by the local government.

"The city government did not allow new waste disposal service providers to enter the market, saying it could be regarded as preferential treatment," said Seo Hwi-wung of the ruling Democratic Party of Korea. "However, it permitted Koentec to enlarge its landfill sites."

He added he may request UMG to withdraw its approval, if he discovers any illegalities during a special audit of Koentec which is expected to take place over the next couple of weeks.

The company has denied receiving any preferential treatment, saying the enlargement was approved in 2015.

It added that Macquarie has already paid for a valuation which arose after the approval, and noted the sale of its shares does not mean an outflow of "sovereign wealth," because most profits will be distributed to domestic institutional investors.

Koentec is also in a legal dispute with the city government which did not give approval for its construction of a 163-ton capacity incinerator, citing air pollution concerns.

Market observers are paying keen attention to the city council members' next step and the result of the lawsuit, because both could affect Macquarie's plan to sell its stake.

Macquarie declined to comment on the matter.