



Transforming Tomorrow Today

Gagasan Nadi Cergas buys seven polytechnic hostel concession assets for RM158 million

- *To fund acquisition of 100% equity interest of concessionaire Konsortium PAE Sepakat with cash from internal funds and from issuance of medium term notes and convertible sukuk*
- *Proposed acquisition enlarges Gagasan Nadi Cergas's recurring income base and to boost facilities management services footprint*

Kuala Lumpur, Malaysia, 29 October 2019 - Construction group and concessionaire Gagasan Nadi Cergas Berhad (Gagasan Nadi Cergas, the Group, 佳搏有限公司, Bloomberg: 0206:MK, Reuters: GAGA.KL) plans to enlarge the Group's recurring income base with the signing of a conditional share sale agreement (SSA) to acquire 100% equity interest in Konsortium PAE Sepakat Sdn Bhd (KPS), a polytechnic hostel asset concessionaire, for an all-cash purchase consideration of RM158.0 million.

KPS is an investment holding company which holds concession agreements with the Government of Malaysia for seven polytechnic hostels in six states nationwide, entailing design, construction and facilities management. The construction of the seven hostels were completed and handed over in 2016, and are currently maintained by KPS under the concession agreement till 25 September 2035.

The seven concession hostels are: Polytechnic Banting (Selangor); Polytechnic Ungku Omar, Ipoh (Perak); Polytechnic Port Dickson (Negeri Sembilan); Polytechnic Seberang Perai (Penang); Polytechnic Ibrahim Sultan, Pasir Gudang (Johor); Polytechnic Jeli, and Polytechnic Kota Bharu (Kelantan).

Based on KPS's audited financial statement for the financial year ended 31 December 2018 (FY2018), KPS recorded RM15.3 million in profit after tax (PAT) and had net assets of RM234.5 million. The price tag of RM158.0 million represents a 32.6% discount of KPS's net assets.

For FY2018, Gagasan Nadi Cergas registered RM32.8 million in PAT, of which RM17.6 million was largely contributed by the Group's recurring income streams from its two current tertiary hostel maintenance concessions in Kuantan and Melaka. As such, the proposed acquisition will create earnings sustainability for the Group, in light of the enlarged long-term recurring income base.

The proposed acquisition allows Gagasan Nadi Cergas to be entitled to the future cash flow streams from the seven concession agreements over the remaining tenure period. The acquisition also allows the Group to extend its in-house facilities management services to the seven polytechnics hostels.

The signing ceremony saw Gagasan Nadi Cergas's Group Managing Director Haji Wan Azman signing with the vendors of KPS, represented by Seri Delima Anggun Sdn Bhd's (SDA) Director Haji Zulkifli Bin Abdul and P.A.E Builders Sdn Bhd's (PAEB) Director Chong Ngu Chong.



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“The acquisition not only propels Gagasan Nadi Cergas to be a leading facilities management player in the tertiary hospitality segment, but also further strengthens our business model by making our profitability even more predictable for investors.

Moreover, the new concessions on-board could potentially double-up the earnings from our recurring income segment, complementing the anticipated growth from the construction business as well.”

Haji Wan Azman bin Wan Kamal,
Group Managing Director of Gagasan Nadi Cergas Berhad

The purchase consideration of RM158.0 million was arrived on a “willing-buyer willing-seller” basis and shall be satisfied in cash to the shareholders of KPS, namely SDA and PAEB. The purchase consideration will be completed in two parts, firstly through RM6.0 million payment to the vendors on the date of the SSA, followed by the remaining RM152.0 million to be paid within 30 days from the date when the SSA becomes unconditional.

To partially fund the acquisition as well as finance the Group’s future construction and property development projects, Gagasan Nadi Cergas will issue RM200.0 million in Islamic medium-term notes (IMTNs) over 10 years. For the time being, the Group will only raise RM92.0 million under the proposed IMTNs issuance to satisfy the proposed acquisition. The remaining tranches will be used to finance future investment activities, capital expenditure, working capital requirements and/or other general corporate purposes.

On top of that, the Group will also raise RM60.0 million by issuing a convertible sukuk (CS). The CS will have a tenure of eight years and has a conversion option to exchange for Gagasan Nadi Cergas shares anytime during the tenure at a conversion price of RM0.32 a share.

The proposed SSA is subject to approval by Gagasan Nadi Cergas’s shareholders at the upcoming Extraordinary General Meeting on the proposed acquisition, issuance of IMTNs and CS, amongst others. The exercise also requires approval from Bursa Malaysia Securities Berhad (Bursa Securities) for the listing and quotation of new Gagasan Nadi Cergas shares to be issued upon conversion of CS on the ACE Market of Bursa Securities, and other approvals from the relevant authorities. Concurrently, the proposed issuance of IMTNs and CS would also require the approval of Securities Commission Malaysia.

Barring any unforeseen circumstances, the acquisition is expected to be completed in the first quarter of 2020 and contribute positively towards Gagasan Nadi Cergas’s earnings for the financial year ending 31 December 2020 onwards.

At present, Gagasan Nadi Cergas holds two 20-year student hostel concessions, namely International Islamic University Malaysia (IIUM) in Kuantan, Pahang and Universiti Teknikal Malaysia Melaka (UTeM) in Durian Tunggal, Melaka until 2034 and 2037 respectively. Both concessions involve the Group to finance, design and construct the projects, as well as provide facilities management services of student hostels.



About Gagasan Nadi Cergas Berhad (www.nadicergas.com)

Gagasan Nadi Cergas is primarily involved in four business segments: namely building construction; provision of facilities management services; operations of district cooling system for the supply of chilled water and electricity distribution; and property development.

Among notable projects completed by the Group include German-Malaysian Institute, the Malaysia Institute of Aviation Technology, 4th Military Camp for the General Operations Force, and numerous student hostels in public tertiary institutions in the country.

Gagasan Nadi Cergas has also participated in undertaking housing initiative programmes such as Rumah Selangorku, Federal Land Development Authority (FELDA) housing, 1Malaysia People's Housing (PR1MA) and Housing for Civil Servants (PPAM).

Gagasan Nadi Cergas currently holds two 20-year student hostel concessions, namely International Islamic University Malaysia (IIUM) in Kuantan, Pahang and Universiti Teknikal Malaysia Melaka (UTeM) in Durian Tunggal, Melaka until 2034 and 2037 respectively.

Gagasan Nadi Cergas also operates a district cooling system for the supply of chilled water for the German-Malaysian Institute in Selangor until 2028.

In property development, the Group is currently undertaking the mixed development of the ASEAN Football Federation (AFF) headquarters and serviced apartments in Putrajaya.

The Group is registered with Pusat Khidmat Kontraktor (PKK) and Construction Industry Development Board (CIDB) as a Grade G7 contractor, which allows the Gagasan Nadi Cergas to tender for projects with unlimited value as well as Bumiputera allocated projects.

Issued for and on behalf of GAGASAN NADI CERGAS BERHAD by Aquilas Advisory (Malaysia)

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