

## News Analysis: Mandatory offer at S\$0.57 per share after Morgan Stanley PE fund acquired a 59.8% stake

- **Morgan Stanley PE fund acquired 59.8% stake from existing shareholder, Northstar**
- **Launch mandatory general offer at S\$0.57 per share on the back of the stake sale**
- **Believe MGO unlikely to be successful given the steep discount of 30% to last traded price**
- **Expect weakness in share price; maintain HOLD with TP of S\$0.67**

### What's New

**MSPEA to acquire entire 59.8% stake from Northstar.** NHPEA Ace Realty Company Limited, a wholly-owned subsidiary of a private equity fund managed by Morgan Stanley Private Equity Asia (MSPEA), has agreed to acquire 59.8% stake in APAC Realty for a total consideration of approximately S\$129.5m. The 59.8% stake or 212.3m shares are to be acquired from Asia Pacific Realty Holdings Ltd, an entity controlled by the Northstar Group, a Singapore headquartered private equity firm. The works out to S\$0.61 per share.

Upon completion of the sale, MSPEA will own 61.1% stake in APAC Realty due to some restructuring to the shareholding structure. MSPEA may undertake a strategic and operational review of the company with a view to realising synergies, economies of scale, cost efficiencies and growth potential.

**Mandatory general offer (MGO) at S\$0.57 per share, a 30% discount to last traded price.** The offer price of S\$0.57, which excludes the 4Scts final DPS declared in February 2022 and goes ex-dividend on 27 April 2022, is at a 30.1% discount to the last traded price and 23.4% discount to the average price over the last 12 months. To comply with the requirements of The Singapore Code on Take-overs and Mergers, a mandatory general offer for the remaining shares in APAC Realty has been launched.

### Our Take

**Meaningful return for Northstar.** Northstar has been a shareholder for about nine years, before APAC Realty was listed on the SGX in 2017. We believe even at the current discounted price, there is still meaningful return for Northstar.

**MGO unlikely to go through.** Given that the offer price is at a steep discount of 30.1% to the last traded price, we believe the MGO is unlikely to be successful. We expect some weakness in share price in the near term. We have a hold call on APAC Realty with a target price S\$0.67. The group is projected to register lower earnings in FY22F as compared to FY21, on the back of the cooling measures and rising interest rate environment, coupled with fewer new launches and depleting stockpile.

<https://www.dbs.com/insightsdirect/company/TR5040225641?pagesec=whatsnew&pagesecid=8776>