

JD Group swaps shares for properties

JD Group on Friday, 14 December 2012, said it had acquired 19 properties and leases from Steinhoff International in exchange for JD Group shares worth R447m, to diversify its asset base.

The group said the purchase would be made through a fresh issue of 9.5-million JD Group shares at an issued price of R47 per share.

The rental enterprises consist of 19 dealership properties across SA which are occupied by Unitrans Automotive, an indirect wholly owned subsidiary of JD Group.

The properties are subject to nine-year leases that commenced on 1 July. JD Group Properties, a wholly owned subsidiary of JD Group, will be the vehicle to own all the strategic property interests.

"The acquisition will ... strengthen the financial position of JD Group, as the purchase consideration will be settled through the issuing of equity to Steinhoff," the diversified retail and financial services business said.

Kagiso Asset Management head of research Abdul Davids said the transaction appeared to be a part of Steinhoff's strategy to rationalise its South African interests into the JD Group.

"The issue of JD shares in lieu of the purchase price will increase Steinhoff's majority shareholding and the issue price of the JD shares is above the current market price of JD," he said.

"From the independent valuator's report it appears that the properties were sold at fair value, so the impact should be neutral on the valuation of both companies," Davids said.

After a series of deals, JD Group became a 50.1%-owned subsidiary of Steinhoff in April.

JD Group reported headline earnings of R884m for the 10 months ended June, a 26% improvement compared to the previous 12-month reporting period ended August last year.

JD Group reported improved performance of the retail businesses acquired during its previous reporting period, specifically Unitrans Automotive.

However, in line with the trend in Steinhoff's European businesses, the decline and deflation in electronic appliances affected JD Group's cash retail business.

Source: *Business Day*

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