

## Oasis warns on Redefine deal

Oasis Group Holdings, the asset management group, has recommended to clients with Fountainhead units not to accept Redefine's proposed acquisition of the property unit trust.

By [Edward West](#) 5 Apr 2012

In what might be one of SA's biggest property deals, Redefine announced last week it wished to acquire Fountainhead's management company for R660 million, which would be followed with an offer to acquire Fountainhead's property portfolio worth more than R10 billion, to be paid for with a combination of Hyprop units and units in Redefine.

Redefine's property portfolio is worth more than R20 billion.

Oasis senior analyst Hassan Motala said on Wednesday that Fountainhead unitholders' income would be "significantly" diluted as they would receive Hyprop shares that were trading at a yield more than 10% lower than the Fountainhead yield.

Motala said the balance sheet strength of Fountainhead unitholders would reduce because they would receive Redefine shares that had double the percentage of debt to assets, relative to Fountainhead.

The income of Fountainhead was on a low base, due to the defensive capital expenditure of R850 million spent on the Blue Route Mall.

Motala said the record of Redefine to deliver growth in recurring distributions was poor, with growth of 4% year since 2008, which was "well below the industry average", despite synergies from the merger with Apexhi and Madison.

The R660 million for Fountainhead Management Company to be paid to Standard Bank and Liberty was excessive at more than 7% of assets under management, 16 times revenue and 130 times earnings, Motala said.

"This excessive purchase price will undoubtedly be recovered from Fountainhead's unitholders to ensure the overall transaction is earnings enhancing to Redefine."

Investec Asset Management fund manager Angelique de Rauville said while the offer for the management company was "on the high end, over the last few years we have seen more expensive offers".

She said that the distribution of sought-after Hyprop shares to the broader market of Fountainhead unitholders was positive and it would also eliminate a cross-shareholding between two large companies in the sector.

She said the deal would not be earnings dilutionary for Fountainhead unitholders, as Redefine traded on a higher yield, and the transaction should be about earnings neutral for Fountainhead unit holders.

De Rauville said Investec Asset Management was a shareholder of the three property companies involved and it intended to support the deal, subject to further terms being announced.

Oasis has been successful in leading defences for its clients in the past.

It led the defence of an offer of R24 per share for AVI in 2008, and it also ensured that Energy Africa shareholders were able to convert their shares into Tullow Oil in 2004.

AVI's share price has since increased by 92% to R46, while Tullow Oil had risen from 100p in 2004 to 1500p.

Source: *Business Day*

For more, visit: <https://www.bizcommunity.com>