

KUALA LUMPUR (Nov 17): TCS Group Bhd, a building and infrastructure construction services provider, is acquiring a 25% stake in construction company Southern Score Sdn Bhd (SSSB) for RM30 million.

The acquisition, which comes with a profit after tax (PAT) guarantee of not less than RM20 million per year from financial year ending Dec 31, 2021 (FY21) to FY23, will be undertaken via the issuance of 60 million new shares at 50 sen apiece to Super Advantage Sdn Bhd, who is selling the stake in SSSB to TCS. It inked a conditional share sale agreement with Super Advantage for the transaction today.

On completion of the acquisition, SSSB, which has three ongoing projects with an outstanding book order of about RM574.6 million — to be recognised up to FY23 — will be an associate of TCS, TCS said in a statement.

Based on the 25% equity stake to be acquired, the RM60 million aggregate PAT translates into an average PAT of RM5 million for TCS for each financial year during the profit guarantee period, it said.

“The proposed acquisition allows us to strengthen our business relationship with them and allows us to have indirect access to their (SSSB’s) ongoing and future projects. SSSB is our existing customer, where we are constructing a service apartments project known as Vista Sentul. Furthermore, this accelerates our plan to grow our building construction activities without initial cash outlay,” said TCS managing director Tee Chai Seng.

Besides Vista Sentul, SSSB’s two other projects are: Platinum Arena on Old Klang Road and PV9 development in Setapak. It posted a PAT of RM6.51 million for FY19 and RM8.19 million for FY18.

Separately, TCS plans to issue free warrants, on the basis of one free warrant for every two existing TCS shares held at an entitlement date to be decided, to reward shareholders who have been supporting the group since its listing in July this year.

The warrants, which will have a tenure of three years and be exercisable into TCS shares at 38 sen apiece, will raise up to RM79.80 million if fully converted, which TCS plans to use for working capital.

Upon full conversion of the warrants and the issuance of the shares under the acquisition, TCS’ share capital would increase to 630 million shares from 360 million shares currently.

RHB Investment Bank has been appointed as the principal adviser for the proposals, which are expected to be completed in the first quarter of 2021.

Shares of TCS closed 1.23% or half a sen higher at 41 sen today, valuing it at RM147.60 million.

Original Source: <https://www.theedgemarkets.com/article/tcs-acquire-25-stake-construction-company-rm30m-plans-free-warrant>