

KPS' sale of Splash stake results in RM331.6 mil divestment loss but it pockets RM765 mil in cash

Billy Toh | 28 September 2018

KUALA LUMPUR (Sept 28): The divestment of a 30% stake in Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (Spash) is set to cost a one-time disposal loss of about RM331.6 million for **Kumpulan Perangsang Selangor Bhd** (KPS), according to a filing with Bursa Malaysia.

The proposed divestment is expected to be completed by the end of the year.

Today, the group's 30% associate company, Syarikat Pengeluar Air Selangor Holdings Bhd (SPLASH Holdings) entered into a conditional share purchase agreement (SPA) with Pengurusan Air Selangor Sdn Bhd (Air Selangor) for the proposed disposal of its entire equity interest and redeemable unsecured loan stocks (RULS) in SPLASH to Air Selangor for RM2.55 billion cash.

State-owned KPS will receive RM765 million cash in the form of an upfront sum followed by nine annual instalments from the 30% stake.

The group's chief executive officer, Ahmad Fariz Hassan, said in a statement that the conclusion of its involvement in SPLASH marks a further step towards refocusing on its endeavours in growing core businesses into industry powerhouses and generate sustainable returns for shareholders.

"In deliberating the utilisation of the proceeds, the Group will adopt a prudent approach on balancing current needs and future growth. In addition, we remain steadfast in implementing our value creation strategy in expanding our ongoing core businesses, achieving a lean balance sheet and ensuring the continued sustainability of the Group's overall performance," Ahmad said.

However, the announcement had no mention of any dividend payout from the proceeds of the disposal, something that analysts were expecting prior to this.

A look at the group's balance sheet would see that it has a net debt-to-equity of about 0.34 times based on its latest quarterly balance sheet.

Despite the one-time disposal loss, the note filed with Bursa pointed that the disposal consideration was within the valuation range as appraised by Moore Stephens, which arrived at the fair valuation of between RM2.1 billion and RM3.4 billion.

Prior to the announcement of the disposal of SPLASH, KPS' share price was trading at around the RM1.90 level. Since then, its share price has fallen by about 14.7% to its closing of RM1.62 today. Nonetheless, the Group's share price has seen a total return of about 25.11% over the last year.

<http://www.theedgemarkets.com/article/kps-sale-splash-stake-results-rm3316-mil-divestment-loss-it-pockets-rm765-mil-cash>