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# Accordia Golf Trust

## (AGT SP/ACCO.SI)

### It has been a long journey – Accept offer

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- Accordia Golf, as the sponsor of AGT, has agreed to increase the purchase price to JPY 65.2bn (S\$848.4mn) from JPY 61.8bn (S\$804.1mn). This implies an increase of 5.5% or JPY 3.4bn (S\$44.2mn) from the original offer.
- Thanks to the efforts of Hibiki Path Advisors (Hibiki), minority unitholders will now get a better deal.
- Existing unitholders should hold their AGT units until the completion of the deal, as there could still be 1.0 Sing cent capital gain. In addition, AGT will be paying out at least 1.0 Sing cent special dividend in September.

**The end of the journey.** AGT listed on the SGX in August 2014 and since then, many other Japan-based SGX-listed companies have been privatised (e.g., Saizen REIT, Croesus Retail Trust). With the sale of all its golf courses to Accordia Golf (the parent company of AGT), AGT will be the last of the Japan-based companies listed here to offer investors a 100% exposure to the country. We have to admit that since we started covering AGT in 2016, the company had undergone numerous disappointments along the way. Among them were its failure to make any DPU-accretive acquisitions since IPO and its tendency to shock unitholders with negative surprises during quarterly results.

**Figure 1: Upside potential from current unit price**

SGD		Remarks
Units outstanding	1,099,122,000	
Purchase consideration	\$848,400,000	
Purchase consideration / unit, S\$	\$0.77	
Purchase consideration less 3% for expenses, S\$	\$0.75	
<b>Distribution to unitholders</b>		
Within 25 business days from assignment date	\$780,500,000	
Within 25 business days from assignment date / unit (A)	\$0.71	Guaranteed, 92% of S\$0.77
Additional payout assuming no claims by sponsor	\$42,400,000	
Additional payout assuming no claims by sponsor / unit (B)	\$0.04	Assuming there are no claims within 25 business days after claim expiry date
<b>Total payout to unitholders (A + B), S\$</b>	<b>\$0.75</b>	<b>Total payout assuming no claims</b>
<b>Special Dividend to be paid out in September, in addition to the amount above</b>		
Dividend, JPY	954,900,000	
SGD/JPY	76.90	
Dividend, S\$	\$12,417,425	
Dividend, S\$ per share	\$0.0130	

Source: Company data, KGI Research

**For existing unitholders,** we believe it would be best to hold on until the deal is completed, as there is still a 1.0 Sing cent upside from the current unit price. In addition, unitholders will get a special 1.0 Sing cent dividend payout in September 2020. We must highlight there is a risk that the final payout to unitholders might be lower than S\$0.75 if there are claims from the sponsor, but we believe this risk is minimal.

#### Accept Offer

Price as of 20 Aug 20 (SGD)	0.74	<b>Performance (Absolute)</b>	
12M TP (\$)	0.75	1 Month (%)	9.7
Previous TP (\$)	0.67	3 Month (%)	30.5
Upside, incl div (%)	3.4	12 Month (%)	48.1

#### Trading data

Mkt Cap (\$mn)	808
Issued Shares (mn)	1,099
Vol - 3M Daily avg (mn)	1.9
Val - 3M Daily avg (\$mn)	1.3
Free Float (%)	71.1%

#### Perf. vs STI Index (Red)



#### Major Shareholders

MBK Partners	28.9%
Hibiki Path Advisors	7.2%
Daiwa Securities	6.0%

#### Previous Recommendations

15-Nov-19	OP \$0.67
16-Aug-19	OP \$0.67
31-May-19	OP \$0.70

**Schedule of payout.** Total purchase consideration works out to S\$0.77. However, net distribution to unitholders amounts to S\$0.75 after deducting 3% for expenses related to the sale. Out of the S\$0.75 net distribution, S\$0.71 (equivalent to 92% of S\$0.77) will be paid out within 25 business days of the assignment date, while the remaining S\$0.04 will be paid out 25 business days after the claim expiry date. No dates for the EGM have been set yet by the Trustee-Manager, but we expect this will likely be held in September 2020.

**Minority unitholders should buy Hibiki a 3-star Michelin meal.** Thanks to the efforts of Hibiki, minority unitholders were able to get a better offer price. Hibiki, as the largest minority unitholder, had made its position clear that the original proposal was too low, and that it would block the sale unless the price was raised. We have to commend Hibiki for the amount of work that they put into this. We believe that without Hibiki in the picture, minority unitholders would not have received a better offer.

**What's next for AGT after the sale?** Private equity firm MBK partners, as owners of Accordia Golf, is likely to merge AGT's 88 golf courses with the other golf courses it owns. This will result in the largest golf course company in Japan, with an 8% market share. The combined entity is likely to command a premium if or when it goes for a public listing in Japan.

**Valuation & Action:** We recommend investors accept the offer as the sponsor is unlikely to revise the purchase price higher. Hibiki and 50 other minority unitholders have accepted the latest offer. Given the current macro-economic uncertainty, it would be best to take what's currently on the table.

**Risks:** Proposed divestments falls through if sponsor pulls out.

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