

GFM takes up 49% stake in downstream O&G player HSSB

Arjuna Chandran Shankar / The Edge Financial Daily

December 18, 2019 09:44 am +08



KUALA LUMPUR: Facility management services provider GFM Services Bhd plans to widen its oil and gas (O&G) services' scope by acquiring a 49% stake in downstream O&G company Highbase Strategic Sdn Bhd (HSSB) for RM1, and buying up to RM20 million worth of the company's redeemable convertible preference shares (RCPS) – subject to a minimum cash subscription of RM15 million.

In announcing the proposals yesterday, GFM said it will also subscribe to a RM1 call option, which gives it the right to acquire up to 117,648 more shares in HSSB at 51 sen a share. If exercised, the option – available from June next year to July 31, 2024 – will raise its stake in HSSB to 51%.

HSSB was founded in 2003, and is primarily involved in the provision of engineering services for the O&G industry, including cleaning, repair and maintenance services for storage tanks, pressure vessels and heat exchangers.

It has an estimated outstanding project value of RM261.4 million up to the financial year ending Dec 31, 2024, GFM said in a statement. If HSSB becomes its subsidiary, GFM said, its total order book will rise to RM1.58 billion.

Notably, GFM said, HSSB has a 51%-owned joint venture (JV) with Singapore-based O&G integrated solutions provider Mun Siong Engineering Ltd. The JV is one of five players that have secured a five-year contract to provide plant turnaround services for the Pengerang Integrated Complex in Johor, from Petroliam Nasional Bhd, that is estimated to be worth RM247.5 million.

“We believe it is an opportune time to enter the O&G industry as optimism and activities for service providers are expected to pick up,” said GFM managing director Ruslan Nordin, who expects the acquisition to contribute positively to GFM’s future earnings.

The proposed acquisition is expected to be completed in the first half of 2020. GFM added that the proposed RCPS subscription will be funded by a combination of internal funds, equity financing and/or borrowings, and that it will get a fixed dividend of 6% per annum from the RCPS.

GFM shares closed unchanged at 29 sen yesterday, with a market capitalisation of RM139.96 million. The stock has declined about 31% in the past 12 months.

Source:

<https://www.theedgemarkets.com/article/gfm-takes-49-stake-downstream-og-player-hssb>