

GFM Services seeks to raise RM19.75 mil via private placement

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KUALA LUMPUR (Jan 31): GFM Services Bhd has proposed to raise up to RM19.75 million via a private placement of up to 10% of its total issued shares to third party investors to be identified later.

In a filing with Bursa Malaysia, the engineering and management and consultancy firm said the placement would enable it to subscribe Highbase Strategic Sdn Bhd (HSSB)'s redeemable convertible preference shares (RCPS).

HSSB is principally involved in the provision of engineering services for the oil and gas industry. To recap, GFM Services had last month announced its plan to acquire a 49% stake in HSSB for RM1 per RCPS, 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.

The proceeds from the issuance of the RCPS will be used as capital expenditure for HSSB's project at Pengerang Integrated Complex (PIC) in Johor, as well as to partially settle debts owed by HSSB to its trade creditors, bankers and statutory institutions.

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 PI, from Petroliam Nasional Bhd, that is estimated to be worth RM247.5 million.

GFM Services said the proposed subscription of HSSB's RCPS will enable it to participate and be entitled to the future recurring income and cash flow streams from the dividend of 6% per annum over the tenure of the RCPS.

"If the RCPS is not redeemed prior to 1 May, 2024, the RCPS will be automatically converted to ordinary shares in HSSB. This will increase the equity stake of the group in HSSB and is expected to be beneficial to the future earnings and cash flows of the group," it added.

The group said the proposed private placement entails the issuance of up to 73.14 million new shares, representing not more than 10% of its total issued shares.

Assuming the placement shares are issued at an indicative issue price of 27 sen per placement share, this represents a discount of 8.44% to the five-day volume weighted average market price of GFM Services shares of 29.49 sen apiece. The group said the private placement is expected to be completed by the third quarter of 2020.

Shares of GFM Services Bhd closed half a sen or 1.67% higher at 30.5 sen today, bringing a market capitalisation of RM144.05 million. The counter saw some 1.76 million shares traded.

Source:

<https://www.theedgemarkets.com/article/gfm-services-seeks-raise-rm1975-mil-private-placement%C2%A0>