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5 HOME BUSINESS

Malakoff takes over Khazanah's stake in Saudi Arabia power, water plants for US\$70m

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BY TAN XUE YING

KUALA LUMPUR: Malakoff Corp Bhd is doubling its effective stake in Malaysian Shoaiba Consortium Sdn Bhd — which own stakes in power and water plants in Saudi Arabia — by taking over Khazanah Nasional Bhd's 40% stake in the consortium.

The group's wholly-owned Malakoff Gulf Ltd inked a share sale agreement with Khazanah yesterday for the acquisition of Khazanah's entire interest in its wholly-owned Desaru Investments (Cayman Islands) Ltd (DIL) for US\$70 million (about RM288.08 million), which Malakoff said is an immediate earnings-accretive transaction.

Khazanah holds the 40% interest in Malaysian Shoaiba Consortium through DIL. Malakoff, via Malakoff Gulf, also owns 40% in the consortium, while Tenaga Nasional Bhd holds the remaining 20%.

That means on completion of the deal, the consortium will become Malakoff's indirect 80%-owned subsidiary.

In a statement yesterday, the group said it plans to fund the all-cash deal using internally-generated funds, and that the proposed acquisition is in line with its growth strategy as it will increase and consolidate its total effective generation capacity for power and water to 6,708 megawatt (MW) and 544,375

cubic metres per day, respectively.

This is compared with its existing per day power capacity of 6,600MW, and water capacity of 420,925 cubic metres.

"This will provide immediate earnings accretion to the company as well as [an] increase in cash flows, derived from the remaining contract periods of approximately 10 years under both Shuaibah Water & Electricity Co Ltd's (SWEC) power and water purchase agreement for Shuaibah 3 independent water and power plant, and Shuaibah Expansion Project Company's (SEPCO) water purchase agreement for Shuaibah 3 expansion independent water plant," said Malakoff chief executive officer Datuk Ahmad Fuaad Kenali.

Commissioned in January 2010, the Shuaibah 3 independent water and power plant is the first and largest of its kind in Saudi Arabia. The Shuaibah 3 expansion, meanwhile, was commissioned in 2009.

The consortium has a 50% equity interest in Saudi-Malaysia Water & Electricity Co Ltd (SAMAWEC), which in turns owns a 60% stake in SWEC, and 60% in Shuaibah Expansion Holding Company (SEHCO) which owns a 97.5% stake in SEPCO.

Desaru Investments and Malakoff also each hold a 20% stake in Al-Imtiaz O&M Co Ltd, SEPCO's operations and maintenance company.

VALUATOR

Company(Brand)	Mention	Tone	ROI
Cenviro Sdn Bhd (Cenviro Industry News)	1	0	0
Khazanah Nasional Berhad (Khazanah Nasional Berhad)	1	0	0
Malakoff Corporation Berhad (Malakoff Corporation Berhad)	4	0	0
Malaysia Projects (Malaysia Projects)	1	0	0
Securities Commission Malaysia (Malaysia Capital Market)	1	0	0
Shuaibah Water & Electricity Co. (Shuaibah Water & Electricity	2	0	0
Tenaga Nasional Berhad (TNB) (Tenaga Nasional)	1	0	0
Water & Electricity Co (Water & Electricity Co)	4	0	0