

# Charter Hall swoops on rival Folkestone in \$205m deal

By Simon Johanson

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Property fund manager and developer Charter Hall has swooped to acquire its smaller rival Folkestone in a \$205 million cash deal.

Charter Hall has offered Folkestone shareholders \$1.354 cash per share and a special dividend of \$0.036 per share, a total of \$1.39, under a "scheme of implementation arrangement" that will be funded from cash reserves.

Folkestone shareholders on the register as at 11 September 2018 will also be entitled to a \$0.03 per share ordinary dividend, to be paid even if the scheme fails to gain approval.

"The Folkestone culture shares many similarities to Charter Hall's," David Harrison said.

*Photo: Ryan Stuart*

Property veteran Greg Paramor has been at the helm of Folkestone, which has \$1.6 billion funds under management, since 2010 when he took control of the platform with partners from real estate investment management group Equity Real Estate Partners.

Since then the platform has been actively managing a series of listed, unlisted and private funds with a market capitalisation of \$164 million.

The deal will increase Charter Hall's focus on social infrastructure and early learning where Folkestone has exposure.

"We are attracted to their leading position in the social infrastructure sector," Charter Hall's chief executive David Harrison said.

"The Folkestone culture shares many similarities to Charter Hall's own culture and we see the two organisations as a close fit," he said.

Market speculation suggests Charter Hall has been on the hunt for growth. It was recently linked to a tilt at the listed Investa Office Fund.

The Folkestone deal will need to gain regulatory and court approval, an independent expert's opinion and approval from 75 per cent of Folkestone shareholders before becoming a reality.

Folkestone's board unanimously recommended the tie-up to shareholders.

If it goes ahead Mr Paramor will become a non-executive independent director at Charter Hall Group.

The businesses were an "excellent fit," Mr Paramor said.

Folkestone's existing unlisted funds complement Charter Hall's platform, providing opportunities to either grow them or create new ones, he said.

The acquisition was announced as both companies reported their end of financial year earnings.

Property revaluations boosted Charter Hall full year statutory profit to \$250.2 million. Operating earnings were \$175.8 million, up 16.2 per cent on the previous year.

"I am pleased to deliver to our investors a 5 per cent increase in operating earnings per security to 37.7 cents and a full year distribution per security of 31.8 cents, an increase of 6 per cent," Mr Harrison said.

Funds under management grew 17 per cent to \$23.2 billion, he said.

Folkestone's full year profit was \$13.9 million, up 3.3 per cent, and the group had a large boost in funds under management, up 26.1 per cent, to \$1.6 billion.

Folkestone has a half share in a hotel fund with Furnished Property at Green Square, Sydney, which is developing the 144 room Veriu hotel.

In September last year, it also entered into a 50/50 joint venture with ID\_Land to develop 64 townhouses in Hadfield, known as The Walter, 14 kilometres north of the Melbourne CBD.

The project has a forecast end value of about \$40 million.