

# Apex Healthcare associate unit to divest entire equity interest in Straits Apex to Quadria Capital



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Apex Healthcare Bhd's 40% associate company, Straits Apex Group (SAG), has entered into a sale and purchase agreement to divest its entire equity interest in Straits Apex Sdn Bhd (SA) to Quadria Capital, an Asia healthcare-focused private equity firm.

The indicative disposal consideration is based on an enterprise value of US\$240 million (or equivalent to RM1.059 billion) to be satisfied via a combination of cash payments and issuance of 40% equity in a new holding company established by Quadria that will indirectly own 100% equity interest in SA.

The cash consideration to be paid to SAG will be in two tranches, with the first tranche expected to occur on the closing of the proposed divestment and the second tranche after the confirmation of the 2022 audited accounts of SA. The consideration is subject to net debt and working capital adjustments at closing.

Upon completion of the proposed transactions, Quadria will indirectly own 100% of SA, while SAG will have a 40% equity interest in the new holding company (NewCo) established by Quadria that will indirectly own 100% equity interest in SA. AHB, meanwhile, will have a 16% effective equity interest in the SA group of companies through its 40%-owned associate company, SAG.

The completion of the proposed transactions is expected to occur by the end of the second quarter of 2023.

SA and its subsidiaries are principally involved in the contract manufacturing of orthopaedic devices, components and surgical instruments.

Since 2013, AHB has invested a total of RM7 million for its 40% equity interest in SAG.

"At the enterprise value of US\$240 million, and assuming the estimated negative net debt and working capital adjustment of US\$25 million (or equivalent to RM110 million), the 40% interest attributable to AHB would amount to US\$86 million (or equivalent to RM379 million) before reinvestment.

"Based on such illustration, the proposed divestment would generate a return on this 10-year investment for AHB of approximately 54 times over its investment cost since 2013," AHB said.

AHB said the deal is part of SAG's strategy to focus on its core businesses and optimise its portfolio of investments.

SAG believes that the proposed transactions will enable it to realise its investment in SA at an attractive valuation and provide it with the opportunity to participate in the future growth of SA through its equity interest in the NewCo.

Quadria Capital is a leading healthcare-focused private equity firm with a strong track record of investing in and partnering with healthcare companies in Asia.

Quadria's investment in SA is expected to bring additional resources and expertise to support the growth of SA and its subsidiaries.

The proposed transactions are also expected to provide additional liquidity to SAG, which can be used to fund its core businesses and explore new investment opportunities.

The parties have expressed confidence that the proposed transactions will be completed by the end of the second quarter of 2023. – **TMR**

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