

fatPROPHETS™

1300 881 177

Astro Japan Property

24/10/2017 FAT-AUS-845

AJA

AUD \$7.18

Spec.

MED.

Saying 'sayonara'

With the Japanese economy in the best shape it has ever been, and investor sentiment becoming increasingly positive, it is perhaps no surprise that predators have widened their net in recent times to Japanese assets listed aboard. Certainly this has occurred with Astro Japan Property Trust (ASX, AJA) which has sold its assets to Jetsons Holding II Pte Ltd (incorporated in Singapore with funds managed by Blackstone Real Estate).

We chose to take some profits in FAT-AUS-834 in advance of the deal completing, but with the proposal implemented this month, and the winding up process underway, it is time to say 'Sayonara' to Astro Japan from the portfolio. The stock has been a strong performer within the portfolio, with a total gain since inception of around 125 percent. Overall, we think this is a strong outcome for investors.

Under the deal, security holders will have received net consideration of \$7.18 per security earlier this month, along with a normal HY distribution of 21 cents per security. Further winding up distributions of 14-17 cents per security are expected to be received before year-end.

Proposed Consideration

The table below sets out the calculation of the Proposed Consideration to Astro Group securityholders.

	JPY (billion)	A\$ (million)	A\$ per security
Blackstone's implied value for portfolio	98.642	1,114.6	18.38
Provisions	(58.782)	(664.2)	(10.95)
Facilitation and Termination Payment payable to Spring Group	(1.952)	(22.1)	(0.36)
Net consideration from Blackstone	37.908	428.3	7.06
Disposal fee payable to Spring	(0.247)	(2.8)	(0.05)
Receipt for AJCO's interest in the Spring TK Agreement	0.523	5.9	0.10
Net liquid assets in Australia	0.797	9.0	0.15
Estimated transaction costs	(0.418)	(4.7)	(0.08)
Net consideration to AJA securityholders	38.563	435.7	7.18

Source: ASX announcement

As we wrote in our last coverage, the move for AJA came as no surprise, and indeed we noted in our last buy report that takeover action was likely given a strengthening outlook for Japanese property. We have held the view that that cap rates on Japanese property would continue to compress, with this translating to a higher net asset base for the company. A discount to net tangible assets per share left AJA open, although the window of opportunity was also narrowing.

Astro has effectively been 'in play' since it fended off an approach from Lone Star Investments in late 2016.

Management did not consider their proposal to 'deliver acceptable value' to security holders, and has since received a number of further offers.

So we believe that another approach was always likely, particularly with sentiment towards Japan strengthening further. A landslide win for Shinzo Abe over the weekend in the Japanese elections has in our view boosted the economic picture further. A freshened mandate for more Abenomics is likely to give further momentum to the reflationary story.

Summary

With the Japanese economy in the best shape it has ever been, and investor sentiment becoming increasingly positive, it is perhaps no surprise that predators have widened their net in recent times to Japanese assets listed abroad. Certainly this has occurred with Astro Japan Property Trust which has sold its assets to Jetsons Holding II Pte Ltd.



We chose to take some profits in FAT-AUS-834 in advance of the deal completing, but with the proposal implemented this month, and the winding up process underway, it is time to say 'Sayonara' to Astro Japan from the portfolio. The stock has been a strong performer within the portfolio, with a total gain since inception of around 125 percent (including distributions). Overall, we think this is a strong outcome for investors.

With Gallileo Japan also having been taken over, we are left with no ASX listed exposures to Japanese property. However, we continue to pursue opportunities elsewhere, with the bulk covered in our Asian

equities report.

DISCLAIMER

Fat Prophets has made every effort to ensure the reliability of the views and recommendations expressed in the reports published on its websites. Fat Prophets research is based upon information known to us or which was obtained from sources which we believed to be reliable and accurate at time of publication. However, like the markets, we are not perfect. This report is prepared for general information only, and as such, the specific needs, investment objectives or financial situation of any particular user have not been taken into consideration. Individuals should therefore discuss, with their financial planner or advisor, the merits of each recommendation for their own specific circumstances and realise that not all investments will be appropriate for all subscribers. To the extent permitted by law, Fat Prophets and its employees, agents and authorised representatives exclude all liability for any loss or damage (including indirect, special or consequential loss or damage) arising from the use of, or reliance on, any information within the report whether or not caused by any negligent act or omission. If the law prohibits the exclusion of such liability, Fat Prophets hereby limits its liability, to the extent permitted by law, to the resupply of the said information or the cost of the said resupply. As at the date at the top of this page, Directors and/or associates of the Fat Prophets Group of Companies currently hold positions in: ASX-listed Australian stocks: ASX-listed Australian stocks: AAC, AAD, AGO, AJA, AMP, ANZ, APA, APG, AVG, BCI, BHP, BKN, BOQ, BRL, BRU, BTR, BWP, CBA, CCL, CDD, CFE, CGL, CKF, CNQ, CVO, CWN, DLS, DNX, DUE, ELD, ENV, EVN, FID, FMG, FXJ, GJT, GMG, GNS, GOR, GPT, GXL, HUB, IAU, IFL, ILU, IMF, JHX, MFG, MGR, MML, MMS, MND, MNF, MPL, MTR, MTU, NAB, NCM, NMG, NUF, OBS, ORE, OSH, OVH, POS, PPS, PRG, PRT, PXG, QAN,QBE, RIO, RXL, RRS, S32,SDG, SFR, SGP, SIV, SLR, SPK, STO, SUN, SYD, TAM, TEN, TLS, TME, TTN, WBC, WFD, WES, WHC, WOW, WPL, WSA. International stocks 3i Group, Acacia Mining, Amec Foster Wheeler, Anglo American, Archipelago Resources, Arian Silver Corp, Aviva, Avocet Mining, Bank of China, Barratt Developments, BMW, Berkeley Energy, BG Group, BOLSAS Y MERCADOS ESPANOLESES, SOCIEDAD, Bovis Homes, BP, Braemar Shipping Group, British American Tobacco, BT Group, Cairn Energy, Centamin Egypt, China Life Insurance, China Mobile, China Overseas, China Taiping, China Vanke, Country Garden, Daejan Holdings, Development Securities, Dragon, Enquest, Esure, Euronext, FedEx, Fresnillo, Ibsiden, Infosys, Glaxosmithkline, Glencore International, Goldbridges Global Resources, Google (Alphabet), Grainger, Gulf Keystone Petroleum, Highland Gold Mining, HSBC, ICICI Bank, Ironveld, iShares Physical Metals, J Sainsbury, JXX Oil & Gas, John Wood Group, Kazakhmys, Legal & General, Lloyds, Low and Bonar, Market Vectors Junior Gold Miners, Market Vectors Oil Services, Market Vectors Vietnam, Marstons, Medusa Mining, Mitchells & Butlers, Mitsubishi Tokyo Financial, Mitsubishi UFJ, National Grid, Nippon Telegraph and Telephone, Panasonic, Paragon Group of Companies, Petra Diamonds, Petrofac, Petropavlovsk, PICC Property & Casualty, PPHE Hotel Group, Randgold Resources, Rank Group, Reckitt Benckiser, Royal Dutch Shell, Solgold, Sony Corporation, Standard Chartered, STV Group, Sylvania Platinum, Tata Motors, Tencent, Tertiary Minerals, Teva Pharmaceutical, Toyota Motor, Tullow Oil, Unilever, Vedanta Resources, Vodafone, Walt Disney, Zillow.

Snapshot AJA

Astro Japan Property

Latest Closing Price: \$7.18

As part of the separation of AJT from the Babcock & Brown Group on 16 April 2009, AJT implemented a restructure to enable the internalisation of the Responsible Entity and Australian management. On 12 November 2009, the units in AJT were stapled to the shares in Astro Japan Property Group Limited (AJCo) to form the Astro Japan Property Group (Astro Group). The Astro Group is listed on the Australian Securities Exchange and its stapled securities trade under the ASX code AJA. The company has a diversified portfolio of interests in 37 properties in Japan.

Market Capitalisation: \$438.52m

Copyright © 2000 - 2016 Fat Prophets. All rights reserved. No portion of this website may be reproduced, copied, or in anyway reused without written permission from Fat Prophets.