

**fatPROPHETS™**

1300 881 177

Astro Japan Property

24/10/2017 FAT-AUS-845

AJA

AUD \$7.18

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**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)           |
| <b>Net consideration from Blackstone</b>                     | <b>37.908</b> | <b>428.3</b>  | <b>7.06</b>      |
| 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)           |
| <b>Net consideration to AJA securityholders</b>              | <b>38.563</b> | <b>435.7</b>  | <b>7.18</b>      |

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.

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## 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**

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