BioSpectrum
the business of Bio & Health Sciences
ASIA EDITION

OUE Lippo Healthcare launches strategic recapitalization plan

February 24, 2021 | News

Backed by major shareholders, loans and accrued interests of S$189.6 million will be converted into Perpetual Securities



Singapore's OUE Lippo Healthcare Limited has announced a strategic recapitalization plan backed by its major shareholders as part of a comprehensive exercise to build a sustainable capital structure.

The Proposed Transactions will involve:

(a) converting the Company's Existing Shareholder Loans and accrued interests of S$189.6 million into equity in the form of 4.0% convertible perpetual bonds (the "**Perpetual Securities**")

(b) the Perpetual Securities will be convertible into ordinary shares of the Company at 7 cents per share (the "**Conversion Price**"), subject to adjustments in accordance with the terms and conditions of the Perpetual Securities (the "**Conditions**").

Redemption of and any future distributions on the Perpetual Securities will be at the sole discretion of the Company and there is no fixed redemption maturity deadline. Any distribution on the Perpetual Securities will not be charged as an expense in the financial statements of the Group. In addition, for a period of about 5.5 years from the date of issuance, the Perpetual Securities are both non-redeemable and non-convertible into ordinary shares of the Company.

Mr Lee Yi Shyan, Chairman of OUELH said, "The Board is thankful for the patience of all our shareholders and the commitment of our controlling shareholders, OUE and ITOCHU, whose support is pivotal for the success of the Proposed Transactions. The features of the Perpetual Securities allow the Company to pursue its business plans from a position of strength, which is even more critical given the challenges and opportunities arising from the COVID-19 pandemic."

Strengthening the Company for the Next Leap

The Proposed Transactions are part of a series of ongoing strategic initiatives undertaken by the Company to strengthen its financial position, starting with the injection of shareholder loans from OUE Limited in 2017 through the Existing Shareholder Loans, followed by private placement to ITOCHU Corporation and a rights issue in 2018, and now the Proposed Transactions.

The indicative fair value of the Perpetual Securities is S$77.3 million, which will result in a one-off indicative gain of S$112.3 million to the statement of comprehensive income of the Group for the financial year ending 31 December 2021. There will also be recurrent interest savings in the financial results of the Company of about S$6.6 million per year as there will be no more interest payment on the Existing Shareholder Loans which will be converted into Perpetual Securities.

Upon the completion of the Proposed Transactions, the Company will be in a much stronger financial position to explore various financing options to fund future growth opportunities. The conversion of Existing Shareholder Loans into equity will remove uncertainties over the going concern assumption of the Company as well as the encumbrances over the assets of the Company from the Existing Shareholder Loans.

Mr Yet Kum Meng, CEO of OUELH said, “The Proposed Transactions are integral to the continuing efforts of the Company to forge a sustainable capital structure to support its business transformation. With the conversion of the Existing Shareholder Loans into Perpetual Securities, the Company will be in a stronger position to tap the capital markets to fund its expansion plans to become a truly leading healthcare services provider in Asia.”