

Ilmu Education IPO off the cards

PHOTO BY PATRICK GOH

BY ADAM AZIZ

KUALA LUMPUR: Ekuiti Nasional Bhd (Ekuinas) has changed its mind about listing its wholly-owned unit Ilmu Education Group Sdn Bhd and will instead look to selling off the assets separately. Ilmu is the holding company for all education assets in Ekuinas' investment portfolio.

Ekuinas chief executive officer Syed Yasir Arafat Syed Abdul Karim (*pic*) affirmed that the listing of Ilmu — which had been delayed since end-2015, will not happen — at least not this year.

“We are in the midst of restructuring and reorganising our portfolio in Ilmu Group. If you ask whether we are going to list Ilmu this year, I will say no,” he told a news conference to announce Ekuinas' results for the financial year ended Dec 31, 2016 (FY16) last Tuesday.

“After due deliberation together with the board, we think listing is probably not the best way to go for Ilmu. Following a thorough strategic review, what we clearly established was that the sum of its parts is greater than the whole value,” said Syed Yasir Arafat, noting that the value of its education assets would be higher individually.

“Therefore, I think we are looking towards deploying that strategy,” he said.

He confirmed that the government-linked private equity firm is in talks with interested parties to divest its assets in Ilmu. Currently, the education segment covers 25% of Ekuinas' portfolio companies.

A quick check on Ekuinas' FY16 annual report revealed that it had



invested RM646.7 million in Ilmu, which it said is one of Malaysia's largest private education groups with five institutions and almost 33,000 students.

Its exit timeline from Ilmu is tied to the January 2018 deadline of its Direct Tranche 1 Fund, one of its five funds under Ekuinas' management.

Syed Yasir Arafat also revealed that Ekuinas is planning to acquire another company under the services sector in the near term.

“We are currently in the final stages of acquiring a design and engineering company, which we would classify under the services sector. We like this sector and this company in particular because of its regional presence and for being a market leader in certain geographical areas.

“We hope to announce something in the next three to four months,” he said, but declined to name the company.

Meanwhile, Ekuinas is sticking to its timeline of between three and five years towards listing its retail sports-

wear business Al-Ikhsan Sports Sdn Bhd. The company acquired a 35% stake in Al-Ikhsan last year.

For FY16, Ekuinas registered a gross portfolio return of RM466.4 million for the Direct Tranche 1 fund, which translates into a gross and net annual internal rate of return (IRR) of 13.1% and 9.4% respectively.

Its Direct Tranche 2 Fund posted a gross portfolio return of RM331.6 million, with gross and net IRR registered at 18.1% and 12.7% respectively. Both direct tranches 1 and 2 have an allocation amounting to RM1 billion each, which Syed Yasir Arafat said has been committed fully.

Its Outsourced Tranche 1 Fund — with a size of RM400 million — generated a gross portfolio return of RM120.7 million, representing 9.8% gross IRR or 8.7% net IRR. It did not provide information for its Direct Tranche 3 and Outsourced Tranche 2 fund as they “are still in early stages of investments”.

In the same period, Ekuinas committed RM49.6 million for five outsourced investments via third party fund managers. Another RM123.2 million was put into two direct investments — acquisition of a 35% stake in Al-Ikhsan for RM68.6 million, and a follow-up injection into Icon Offshore Bhd in which it owns a 42.3% stake.

In total, Ekuinas has received funds totalling about RM3.9 billion from the Economic Planning Unit since its inception in 2009. “We have crystallised the proceeds of about RM1.6 billion. Minus all our expenses, we still have RM2.1 billion cash,” said Syed Yasir Arafat.