

Publication: The Edge Markets

Date: 1st January, 2019

Headline: PUC Buys Rest Of Pictureworks From CEO For RM168M



PUC buys rest of Pictureworks from CEO for RM168m

KUALA LUMPUR (Jan 1): ACE Market-listed PUC Bhd is buying the rest of Pictureworks Holdings Sdn Bhd it does not already own from its group managing director and chief executive officer Cheong Chia Chou and two other companies for RM167.5 million. Pictureworks specialises in imagery capture and distribution platforms particularly for theme parks.

PUC said the proposed acquisition will offer synergistic benefits to the group such as shared expertise, services and resources as well as improved operational efficiency through streamlining operating costs through the reduction of overlapping headcounts and overhead costs, leveraging on better procurement terms via sharing of procurement functions and economies of scale.

In a filing with Bursa Malaysia yesterday, PUC said it plans to acquire 12.34 million shares or a 67% stake in Pictureworks from Cheong, Superb Go Sdn Bhd and Beauty World Holdings Pte Ltd (BWH), through a combination of new share issuance and cash.

Cheong currently holds a 42.22% stake in Pictureworks, SGSB 20% and BWH 4.78%.

PUC said it has entered into a conditional sale of shares agreement with Cheong and Superb Go for the acquisition of their collective 62.22% shareholding in Pictureworks for RM155.55 million.

It added that it is in the midst of negotiation with BWH for the acquisition of the remaining 880,341 Pictureworks shares owned by BWH for RM11.95 million.

In a separate statement, Cheong said PUC had first acquired a 33% stake in Pictureworks in June 2018 and since then, Pictureworks has contributed positively to the group and its earlier investment is expected to yield better results as Pictureworks is expected to exceed the 2018 guaranteed profit of RM14.8 million.

"Acquiring Pictureworks' remaining stake is a strategic next step to complement the group's future business performance as Pictureworks has demonstrated higher success in securing new contracts," he said.

"Apart from on-boarding a few potential new clients that are currently under discussion, Pictureworks' business is further strengthened via its collaboration with Smart Guide to widen the market outreach to more than 180 tourist attractions which in turn will generate an exposure to an estimated 200 million visitors.

"In addition, Pictureworks' proprietary imaging technology PictureAir will be integrated with facial recognition technology, thereby enhancing user experience on top of new theme park contracts in the pipeline that will support Pictureworks' future earnings," added Cheong.

Upon the successful completion of the proposed acquisition, Pictureworks will become a wholly-owned subsidiary company of PUC. "Hence, the proposed acquisition will eliminate any potential related party transaction that may arise in the future," said PUC.

At the same time, the collective shareholding of Cheong, via Red Hot Media International Ltd, and persons acting in concert is expected to increase up to 32.37% upon the issuance of the consideration shares.

PUC said however, the proposed acquisition is not expected to trigger any take-over offer obligations by Red Hot Media.

The proposed acquisition, which requires PUC shareholders' approval, is expected to be completed by the second quarter of 2019.

Trading in PUC shares was suspended on Monday pending the announcement. It last closed unchanged at 11.5 sen on Dec 28, 2018, giving it a market capitalisation of RM220.87 million. Over the past 12 months, its share price has fallen 66% from 34 sen on Jan 2, 2018.