Print

PSV shows value in AltX

Mar 03 2009 10:12

Marc Hasenfuss

Cape Town - The notion that some newly-listed AltX counters are trading well below fair value was reinforced on Tuesday when a UK group bid a sizeable premium to buy control of specialist engineering group PSV Holdings.

In a statement to shareholders, PSV advised that shareholders holding 65% of the company's issued shares had agreed to sell 60% of their holdings to UK-based Iandra Industries for an effective price of 79c/share.

Not much is known about Iandra at this point. PSV CEO Abie da Silva said it was a shelf company created specifically to do the PSV investment.

He said the principals could not be revealed yet, but indicated the UK-based company was headed by a Zimbabwean-born businessman.

Achelon Capital director Shawn Stockigt - an expert in small-cap investing - said the proposed PSV deal confirms there is value on the AltX that investors are simply not seeing. "We'll probably see a couple of these deals in the next few months... the AltX looks poised to become a picking ground."

PSV, which specialises in supplying and servicing pumps, valves, engineering linings, industrial supplies and fuel pumps and dispensers, has performed encouragingly since (reverse) listing on the AltX in 2006.

Interim results to end-August 2008 showed PSV generating R175m in revenue (up 45%) and R12m in bottom line profits, which equated to core half-year earnings of 6c/share.

Iandra's offer for control is almost double the last traded price of 41c for PSV before it was suspended on Monday, pending the announcement of the Iandra offer.

Iandra has undertaken to extend a "partial, conditional offer" to PSV minorities, which means shareholders will be given the option of selling 60% of their PSV holding.

The PSV shareholders that have already agreed to sell 60% of their holdings to Iandra include three executive directors (Messrs da Silva, Dreisenstock and Robinson) as well as strategic shareholder Vunani Capital.

Da Silva said Iandra was initially keen to take 100% of PSV. "But we didn't want to delist PSV. The offer for 60% of the company allows us enough shareholders to stay listed."

The Iandra offer values PSV at roughly R180m, a far cry from the R97m market capitalisation accorded to the group in recent weeks. Iandra's offer for 60% of PSV is worth about R100m.

Iandra has also agreed to subscribe for about 25 million new PSV shares at a price still to be decided - a move that will bring fresh capital into the business.

- Fin24.com