

GPT quits CPA race, flags share buyback

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GPT chief executive officer and managing director Michael Cameron said the decision not to increase the consideration under the offer followed careful assessment of the competing proposal for CPA. **Photo: Louise Kennerley**

Larry Schlesinger

GPT Group has flagged a share buy-back program and the pursuit of other acquisition opportunities after ruling out a higher bid for the Commonwealth Property Office Fund.

Its decision paves the way for rival DEXUS Property and its consortium partner the Canada Pension Plan Investment Board to strike a \$4 billion deal to acquire the office fund.

GPT will emerge with nearly \$1.2 billion worth of prime commercial and retail property to fatten its wholesale office and shopping centre funds, following last week's deal struck with DEXUS, to carve up CPA's assets.

GPT managing director Michael Cameron said: "These acquisitions, if completed, would result in a 17 per cent increase in GPT's funds under management since September 2013, providing good momentum in achieving GPT's fund under management targets."

Mr Cameron added that GPT retained "significant capacity on balance sheet to buy back GPT securities when the opportunity presents itself, and to pursue other well-priced opportunities that arise in the future".

Market reaction was positive for GPT; its share price traded up modestly to \$3.59 during a day when the ASX200 and All Ordinaries lost ground. DEXUS shares fell slightly to \$1.025.

Buy-back 'makes sense'

Despite the improvement in the GPT share price, its stock continues to trade at a significant discount to its net

tangible assets (NTA) per security, which was \$3.76 as of December 31.

Tim Hannon, chief investment officer at fund manager Freehold Investment Management, told *The Australian Financial Review* a GPT share buy-back program made sense and would enhance earnings per share.

"We like to see buy-backs at NTA if the discount is quite strong," he said.

Mr Hannon said while a share buy-back would increase earnings, it would also push up GPT's leverage.

"However, GPT has a low level of debt, so a share buy-back would not impact on its investment-grade credit rating," he said.

Atchison Consultants managing director Ken Atchison said he was an advocate of share buy-back rather than seeking to buy assets at full value.

"If you can buy your own shares at a discount, then it's an appropriate use of capital," Mr Atchison said, "but that's with the proviso that you don't foresee there being better alternative opportunities."

"It's part of a good a capital-management plan," he said.

Goldman Sachs analyst Simon Wheatley said GPT's share price trading at a discount to NTA made the scrip component of its bid "challenging for [CPA] investors who do not want to see equity effectively swapped at a discount to net tangible assets.

The Australian Financial Review