

Africa-Israel board: Don't liquidate us



15 Jun, 2017 19:28 Omri Cohen **You May Like**

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An opinion commissioned from MNS says that the Africa-Israel bondholders will get more money from either of the two bids for the company than by selling its assets separately.

An independent committee appointed by the **Africa-Israel Investments Ltd.** (TASE:AFIL) board of directors to manage the debt arrangement process has come to the conclusion that liquidation of the company is not the best course. In a notification to the Tel Aviv Stock Exchange, Africa-Israel stated that at the end of its deliberations, using the services of

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economic consultation firm MNS, managed by CEO Sharon Zaworbach, the committee had found that "the good of the company and its creditors requires the rejection of the bondholders' alternative of liquidating the company, for the reasons explained in the attached opinion by MNS."

In view of these conclusions, the committee recommends the bondholders to vote next week in favor of "an arrangement through the recruitment of another investor in the company."

At the same time, the committee stresses that the time has not yet come for recommending which of the two investment bids (by the Saidoff group and the Ben-Moshe and Leviev group) should be accepted, because some of the clarifications were received just before the committee met, and others are likely to be added later.

The committee relies on the conclusion of the MNS study, which states that the arrangements proposed by the Saidoff group and the Ben-Moshe-Leviev group are "clearly preferable" to the proposal by the bondholders. MNS writes that the two investment groups' proposals reflect NIS 2.15-2.2 billion in proceeds for the bondholders, while the liquidation alternative will provide the bondholders with proceeds of only NIS 1.95 billion.

MNS stresses that in addition to a clear advantage of NIS 200 million in additional proceeds, the process of selling on short notice incurs many risks in obtaining the value described, and certainly anything beyond that value. MNS also emphasizes that dispersing Africa-Israel's assets among different buyers will detract from the synergy currently existing between the group's companies, and will heighten the risks that the a change in control will be used by the subsidiaries' lenders to demand immediate repayment of the loans. This is true mainly of the loans taken by **AFI Europe NV** from foreign banks in order to finance its investments in Eastern Europe.

According to the bondholders who support the liquidation alternative, proceeds of NIS 2.2-2.4 billion in cash are obtainable within a relatively short period, and this alternative is therefore preferable to receiving a large proportion of the proceeds in long-term bonds, when full repayment of such bonds from projected cash flow is uncertain.

On the other hand, MNS believes that the share prices of **Africa-Israel Properties Ltd.** (TASE: **AFPR**) and **Africa-Israel Residences Ltd.** (TASE: **AFHS**) are currently at peak levels, and already reflect most of their possible upside. Furthermore, with respect to Africa-Israel Residences, MNS states, "There is exposure to changes in the Israeli residential real estate market, which many believe has reached its peak."

In response to the decision by the Africa-Israel board of directors independent committee,

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is the very heart of the group."

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