

M&A NEWS

Thai pipe manufacturer Wiik & Hoeglund expands water treatment business

The company hopes to benefit from rising water demand in Thailand by acquiring WOG Group's water reuse project in Patong.

SET-listed Thai pipe manufacturer Wiik & Hoeglund has completed its acquisition of a 25,000m³/d wastewater reuse concession in Patong on Thailand's Phuket Island. The move marks the company's entry into the Thai municipal water treatment market.

The THB300 million (\$9.9 million) acquisition, first announced in January 2019, is part of the company's strategy to benefit more from increased domestic and industrial water demand in Thailand by expanding directly into the water treatment business.

Wiik & Hoeglund entered the industrial water treatment market in 2016, and owns two 20-year water treatment projects in the Eastern Economic Corridor (EEC) industrial zone.

The Patong plant, a 30-year build-own-operate-transfer (BOOT) project, was bought from Singapore-based EPC contractor and developer WOG Group, which will remain a minority partner until the contract ends in 2042, enjoying a revenue share agreement of up to 10%.

The ultrafiltration and reverse osmosis plant sells treated water to resorts and shopping centres. Popular tourist destination Phuket experiences significant seasonal water demand, and faced a water shortage in March and April 2019, at the end of the last high season.

WOG Group also holds a BOOT concession with the municipality of Patong to build a 25,000m³/d desalination project, and believes in continuous opportunities for alternative solutions in the country. "There is no doubt that in the coming future there is going to be huge demand for water reuse projects in Thailand," a group representative told GWI.

The country's cabinet approved a 20-year national plan on water resources management earlier in 2019, and various projects are now getting underway, including state-owned utility Provincial Waterworks Authority (PWA) undertaking six projects at a cost of THB11 billion (\$364 million) to increase its supply capacity by 322,400m³/d. Plans have also been laid out to deal with increased demand from the EEC, including the development of new

water sources like desalination from 2027.

WOG Group regards the deal as a positive for its own track record – it is the first time it has exited an owned project – as well as a landmark in the Thai market.

"There have been very few M&A deals in Thailand, and this is the first deal involving a reuse project," according to WOG Group. "The potential option to exit like a local strategic player creates opportunities for international companies to

aggressively execute more projects. Hopefully [the deal] will also excite the regional private equity funds to look at the market more favourably."

Wiik & Hoeglund further announced on 14 November that it is planning to raise working capital through a private placement. Investor Saithsiri Saksitthisereekul, who will take a 24.25% stake in the company, runs Thai sustainable energy contractor SBANG. ■

WATER LEGISLATION

New law aims to bring security for Cambodian water operators

A new law on water supply management could make life easier for the country's 500 small private water operators.

Cambodia's Ministry of Industry and Handicraft (MIH) announced the broad strokes of a new water supply law at the end of October, which could eventually lead to improved conditions for private investors.

Having already cleared most review hurdles, the law could come into effect within the next two years. A welcome development for the myriad of small operators which serve the country's rural areas is the improved protection of private investment through clarifying compensation for damaged assets.

"A lot of water operators complain about destruction of their pipes when there is new road construction. There is no clear responsibility as to who will compensate for pipe damage, so that is normally a big risk in running a water company in Cambodia," Mola Tin, chief technical officer of the Australia-funded, Palladium-led programme Investing in Infrastructure (3i), told GWI.

Private operators often rely on capital subsidies for expansions, particularly in less commercially viable areas. Since 2015, 3i has triggered over \$15 million in investment in over 70 systems through viability gap financing. With unlimited

funds, though, Mola Tin estimates it could easily support another 100 operators through the same approach.

While the new law might be a step forward, the utility consolidation which could make the market more attractive is still some time away. Rural areas still uncovered may be the priority for the MIH, and politicised tariffs are an obstacle to integration. "Only when you can start attracting really large investors can you think about how consolidation would evolve over time," said Mola Tin.

The private sector is, however, exploring business models aimed at consolidation. Venture-backed Khmer Water Supply Holdings (KWSH) has built a portfolio of systems, and recently established TapEffect is pursuing a similar model by developing design-build-operate projects, while also looking at acquiring or partnering with other private operators.

"We feel like now is a good time to start building a company which can [consolidate utilities]," TapEffect CEO Nick Boerema told GWI. "It would be very hard at the moment for international investors to invest into piped water in Cambodia, but we're trying to set something up so that's easier to do." ■