

## Regulatory Story

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**Thalassa Holdings Limited** - THAL Agreement for Sale of the Assets of WGP Group Ltd  
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Thalassa Holdings Limited  
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### **Thalassa Holdings Ltd**

**(Reuters: THAL.L, Bloomberg: THAL:LN)**

**("Thalassa", "THAL" or the "Company")**

### **Thalassa executes definitive agreement for the sale of the assets of WGP Group Ltd ("WGP")**

This announcement contains inside information for the purposes of Article 7 of Regulation 596/2014.

#### **Introduction**

Thalassa Holdings Ltd (AIM: THAL) ("Thalassa" or the "Company") is delighted to announce that it has conditionally agreed to sell the business and assets of the WGP Group to Fairfield Industries Incorporated ("FFN") for a maximum cash consideration of \$30,000,000 (the "Sale").

Gross initial proceeds from the sale of WGP will be \$20,000,000 (approximately \$19,750,000 net of transaction costs). A further \$10,000,000 will become payable by FFN contingent on certain customer contracts being entered into within 5 years of completion.

The Company has agreed to leave up to \$2,500,000 of cash in the business to meet its working capital requirements during the first five months of 2018. Any revenue received post completion in relation to certain sales made, services provided and work undertaken by WGP Group prior to completion will be repayable by FFN against this working capital amount.

The Sale is of sufficient size relative to that of the existing Company to constitute a disposal resulting in a fundamental change of business, pursuant to Rule 15 of the AIM Rules and completion is, therefore, conditional upon the approval of shareholders by way of an ordinary resolution. Based on Thalassa's classification as a holding company and its continuing business, the Company has sought and received confirmation that upon completion the Company will not be regarded as an AIM Rule 15 cash shell.

The Company had previously announced on 15 August 2017 that FFN would invest \$2,000,000 to acquire a 20% equity stake in ARL (the "Investment"), together with a 2-year option to purchase the same number of shares at the same price. The detailed agreement relating to the Investment has yet to be finalised and is now expected to be exchanged by no later than 31 March 2018.

The Board of Thalassa (the "Board" or "Directors") believes that the terms of the Sale and the Investment represent good value for shareholders, and further reasons for the sale are set out later in this announcement. As such, the Directors unanimously recommend that shareholders vote in favour of the Resolution to be proposed at the General Meeting as they intend to do in respect of their beneficial holdings amounting, in aggregate, to 3,622,441 Ordinary Shares, representing approximately 17.6 per cent. of the existing ordinary share capital of the Company.

A circular containing, amongst other things, further details of the Sale and the notice of the General Meeting to be held at Columbus Monte-Carlo, 23 Avenue des Papalins, MC-98000 Monaco is being posted to shareholders of Thalassa and is being placed on its website today.

## Background to and reasons for the Sale and the Investment

### Background

Thalassa is a BVI international company established as a holding company whose Board's investment mandate is to identify opportunity for investment growth, without any limitation as to industry.

### WGP Group

WGP Group is a wholly owned subsidiary of Thalassa and is the owner of the seismic operating assets and business of the group. Its subsidiaries include:

- WGP Energy Services Ltd
- WGP Exploration Ltd
- WGP Professional Services Ltd
- WGP Survey Ltd

WGP Energy Services Ltd's PMSST<sup>TM</sup> and P-Cable equipment, combined with WGP Professional Services Ltd's operational staff and WGP Exploration Ltd's ground support staff assist oil companies in maximising oil recovery through reservoir management practices as well as assisting in the discovery of new reserves. WGP Survey Ltd has previously operated the P-Cable equipment and is part owner of multi-client high-resolution 3D data.

### Reasons for the Sale

WGP Group's trading results for 2017 showed an improvement on 2016. However, the Company has only two main clients and four contracts. The loss of any contract or, worse, any client would have a material negative impact on the business. It is with this in mind that the Board of Thalassa actively sought to find a buyer for WGP at an appropriate consideration who not only shared the Board's vision for the future of WGP Group and its employees and clients but who also brought substantially greater financial and operating resources to the table as well as access to new business opportunities. The Board believes that the sale to FFN fulfils all of these objectives.

In summary, the Sale:

- provides the opportunity to monetise Thalassa's investment in WGP;
- crystallises a 446% gain on average capital employed, equivalent to an average annual return of 50% or a CAGR of 20.8%;
- provides the Board with the platform to execute its strategy of focusing on acquisition of other assets, which in the opinion of the Board have the opportunity to generate capital growth and superior returns for shareholders;
- provides WGP Group with greater development opportunities as part of a larger, better capitalised parent company, FFN Group; and
- strengthens Thalassa's balance sheet.

The Board has therefore concluded that the Sale is in the interests of the Company and its Shareholders, thereby providing the Board with the opportunity to proceed with the execution of its strategy for the continuing group.

### Autonomous Holdings Ltd

Autonomous Holdings Ltd is a wholly owned subsidiary of Thalassa with currently one sole subsidiary, ARL (previously GO Science 2013 Limited), an autonomous underwater vehicle research and development company.

### Reasons for the Investment

The Company has, to date, invested significant resources in ARL (c.\$7.0 million) and the Investment would provide additional funding to accelerate ongoing research and development and future growth. Furthermore, in FFN, ARL would have a new shareholder whose node expertise and manufacturing resources should, in the opinion of the Board, be highly complementary.

As stated above, the agreement relating to the Investment is expected to be exchanged by no later than 31 March 2018.

## Illustrative financial effects of the Sale

WGP currently generates all of Thalassa's operating revenue (excluding foreign exchange gains), but does not represent all or substantially all of its activities or assets.

In the year to 31 December 2017, it is estimated that WGP will generate c.\$1.1 million in profit after tax from an estimated \$17.8 million of revenue.

Figures for WGP Group for the years ended 31 December 2016 and 2017 are set out in the table below.

<b>\$m</b>	<b>2017E</b>	<b>2016A</b>
Revenue	17.8	14.0
Profit after Tax	1.1	0.0
Net assets being disposed	10.2	11.6

The above figures are shown after deduction of Group administrative fees and interest expense.

**Post completion net asset value ("NAV")**

Following completion, the Board estimates that Thalassa's NAV per share will be c.\$1.91/£1.44, made up as follows:

	<b>\$m</b>
Net cash	21.3
Holding in The Local Shopping REIT PLC	9.3 (at cost)
ARL (based upon the proposed FFN investment of \$2m for 20%)	8.0
Other	<u>0.7</u>
Total	<b>\$39.3</b>

**Use of proceeds**

The Board intends to apply the net consideration received by the Company on completion to pursuing the continuing group's strategy, being acquisition of other assets, which in the opinion of the Board, have the opportunity to generate superior returns for shareholders. The Board, in seeking to fulfil its mandate, may acquire stakes in target companies or seek to acquire companies or assets in their entirety.

**Strategy for the continuing group**

Thalassa currently has two operating subsidiaries, both in the energy services industry, currently focused on marine geophysical services and AUV research and development, being WGP Group and Autonomous Holdings Ltd. The Company also currently has a significant stake in The Local Shopping REIT plc (LSR.L) and recently sold its 26.7% holding in Papua Mining plc (PML.L) for a gain of 23%.

As stated above, the Board will seek to invest the proceeds in one or more situations which, in the opinion of the Board, have the opportunity to generate superior returns for shareholders.

**Current trading and prospects**

The Board is confident that the sale of WGP Group and continued implementation of the existing investment strategy will appropriately position the continuing group to readily capitalise on opportunities that become available to it. The Board believes that prospects in the future are positive. The continuing group's focus on investment and acquisition of assets which are, in the opinion of the Board, undervalued, and management's proven ability to enhance shareholder value, through hands-on oversight and where necessary direct management of its portfolio companies in order to improve their operational and financial performance, should result in successful achievement of superior returns for shareholders.

**Information on the buyer**

Privately held FFN, a global leader in seismic nodal technology, designs and manufactures a complete range of revolutionary, true cable-free ZLand® and ZMarine® systems, and offers expert marine acquisition and data processing services. Known for its extensive multi-client library of high-quality 3D seismic data in the Gulf of Mexico, the company is also expanding licensing coverage in the revitalized Permian Basin through a series of successful multi-client programmes. FFN has been in existence for over 40 years and employs approximately 240 staff based out of the headquarters in Sugarland, Texas.

Duncan Soukup, Chairman of Thalassa, stated: "We are delighted to have exchanged contracts on the sale of WGP and are excited by the opportunities open to Thalassa as we continue to implement our strategy. We will announce the investment in ARL as soon as it is completed."

**Investor Enquiries:**

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**Note to Editors:**

Thalassa Holdings Ltd, incorporated and registered in the BVI and quoted on AIM, is a holding company currently with positions in the Energy Services, Defence and Homeland Security and Real Estate.

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