

26/6/18

Chagala Group* (CGLO.L)

Potential Competing Cash Offer from TIPP

Following the AIMS Offer last week at US\$1.55 per share, Chagala has received a potential competing bid indicated at US\$2.15 per share, in cash, which will be made by a special purpose vehicle (the "SPV") to be procured by TIPP Investments PCC ("TIPP"). For the avoidance of doubt, the cash offer will not be made by TIPP.

The directors of Chagala have therefore recommended that shareholders do not accept the AIMS Offer and instead await the making of the SPV offer.

- TIPP has been in dispute with the Company, its directors and other parties in the BVI courts over an attempt by TIPP (along with others together deemed to be a concert party by the Company) to gain board control. The Company consequently issued a direction notice under its Articles removing the voting rights of the concert party members.
- The parties involved in the litigation have now come to a preliminary settlement agreement ("Heads of Terms") which includes settlement of any outstanding claims and is conditional on completion of "transactions contemplated by the Heads of Terms".
- The potential SPV offer will be unconditional. The offer is subject to certain due diligence and we would expect that will include publication of the audited accounts for the year ended 31 December 2017.
- **At US\$2.15 per share, the TIPP offer is still significantly below our last estimated NAV for the Company of US\$3.54 - approximately a discount of 40%; but significantly above the latest average traded value of US\$ 1.25 – approximately 70% premium.**

Corporate

Note on Cash Offers

Suspension price	US\$1.25
AIMS Offer price	US\$1.55
Offer value	US\$32.9m
TIPP indicated Offer Price	US\$2.15
Offer value	US\$45.7m
Argento last estimated NAVps	US\$ 3.54

Residential and commercial property provider to the oil & gas majors operating in Kazakhstan

Contact

Analyst
Alan MacKenzie +44 (0)20 7670 1990
alan.mackenzie@argentocapital.net
www.argentocapital.net

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BUY	Share price appreciation of 15% or more in absolute terms over 12 months
HOLD	Share price appreciation or depreciation of less than 10% in absolute terms over 12 months
SELL	Share price depreciation of 15% or more in absolute terms over 12 months
SPEC BUY	Share price appreciation of 15% or more in absolute terms over 12 months, but with an unusual level of risk relative to return

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Contact Information:**Research**

Rachel Galvez	Consumer & Technology	rachel.galvez@argentocapital.net +44 (0)20 7670 1990
Leila Reddy	Resources	leila.reddy@argentocapital.net +44 (0)20 7670 1990
Alan MacKenzie	Director	alan.mackenzie@argentocapital.net +44 (0)20 7670 1990

Corporate Finance

Jim McGeever	Director	jim.mcgeever@argentocapital.net +44 (0)20 7670 1991
Wye-Li Long	Director	wye-li.long@argentocapital.net +44 (0)20 7670 1990
Derek Crowhurst	Director	derek.crowhurst@argentocapital.net +44 (0)20 7670 1993
