

# Investors in quandary over the fate of EON

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INVESTORS in Edaran Otomobil Nasional Bhd (EON) are hoping for an end to the uncertainty blighting shares in the nation's largest car distributor.

The fate of EON, whose business is split between distributing the popular Proton car and running a big financial group, is hanging in the balance over lucrative dealership rights.

A protracted tug-of-war between Proton and a key EON shareholder over the sale of a controlling stake in EON to Proton is unnerving investors in the car distributor.

"That's why EON's share price is dead," said a car analyst at a large foreign brokerage. "There are a lot of worries, there are a lot of concerns over EON's future."

The worries have put trade in EON shares virtually at a standstill. Except for a spurt last Tuesday when 336,000 shares traded hands, daily volume has not

topped 159,000 since mid-April. That compares with nearly 900,000 on January 25.

EON closed at RM14 last on Friday, down 10 sen from Thursday's and 27 per cent below its 2000 high year of RM19.20 on February 15. The shares have been stuck in the RM13-to-RM15 range for the past month.

The sale of EON to Proton was one of the conditions imposed by state oil firm Petronas as part of its purchase of a controlling 27.2 per cent stake in Proton from DRB-Hicom, which is divesting all of its interests in the national car project.

The restructuring plan was announced in 1998. But discord over the pricing of HICOM's stake in EON has repeatedly bogged down talks.

Petronas signed an agreement in March to buy HICOM's stake in Proton, but no pact was reached on the EON stake, casting doubt over EON's future.

DRB-HICOM chairman Tans Sri Mohd Saleh Sulong said last Wednesday the talks had stalled.

"The talks have stalled but the deal is very much on the table. No one party has practically walked away from the table," Saleh, who is also EON chairman, said.

Proton distributes its cars through EON's regional network of dealerships under a renewable contract. That contract expired at the end of 1999 and has not been renewed, raising further concern over EON's future.

Analysts said Petronas, the new owner of Proton, appeared to be indifferent towards EON. "It's playing hard ball on this one, so EON is in trouble," said a sector analyst.

"I would be surprised if Petronas really wants EON," he said.

With its big pockets, Petronas could well live without EON.

Proton has already won control of another big Pro-

ton distributor, USPD.

Konsortium Logistik Bhd, a firm controlled by Prime Minister Datuk Seri Dr Mahathir Mohamad's eldest son Mirzan Mahathir, handles logistics for both Proton's inbound and outbound inventories.

Petronas owns a network of filling stations nationwide which could double up as showrooms and car repair centres.

Analysts said Proton would not be willing to pay more than RM13 per share for EON while HICOM's asking price was about RM15.

"EON has banking assets but the bulk of its value is from motor distributorship. That's the real money," said the analyst, who valued EON at over RM25 if it retained the Proton rights.

EON Bank Bhd, a medium-sized commercial bank, is one of 10 anchor banks identified under a national merger plan.

HICOM sources said it

was unlikely the Government wanted to see EON lose the Proton rights.

"EON is considered as a national project and some of the main shareholders are government-owned agencies like state investment arm Khazanah Nasional Bhd," said one company source.

One analyst agreed.

"We believe EON's close links with the Government will ensure that the deal with Proton will be sealed," said Mr Ooi Kim Kee at KAF Seagroatt and Campbell.

Khazanah owns 6.79 per cent of EON, Employees Provident Fund 13.53 per cent and state-run fund manager Permodalan Nasional Bhd 2.61 per cent.

Asked about the delay over the renewal of the distributorship rights, the source said: "It took five years to negotiate the last contract" — Reuters