

15/07/2000

AAB backs off from stockbroking merger

Dalila Abu Bakar

AVENUE Assets Bhd fears losing the opportunity of creating a universal stockbroker and that is the main reason, say some analysts, why it has backed away from the merger of Malayan Banking Bhd and PhileoAllied Bhd.

AAB has already begun the process of acquiring three brokerages and was apparently banking on PhileoAllied Securities Bhd to be the anchor and thus enable the merged entity to claim the status of universal broker.

"What Maybank is paying for the whole banking merger is also an issue, but the loss of the chance to become a universal broker is most probably the major reason," said one analyst.

That the snag has come late in the day - when the memorandum of understanding has been signed and the merger process is already under way - is being attributed to AAB's belated realisation that its ambition to be a leader in stockbroking could become undone without PhileoAllied Securities.

"AAB originally felt that Kestrel Securities Sdn Bhd (one of the brokerages it is acquiring) could become the anchor but apparently has realised that it is too small to be sufficiently beefed up," said another analyst.

PhileoAllied said in a statement to the Kuala Lumpur Stock Exchange on Thursday that it had received a letter from AAB on Wednesday saying it is "unable to support the scheme" as proposed by Maybank but did not say why.

Speculation immediately focused on the pricing, that AAB is not satisfied with the RM1.2 billion Maybank is paying for PhilleoAllied Bhd.

Mokhzani Mahathir is the substantial shareholder of AAB through his stake in Pantai Holdings Bhd. AAB has 18.42 per cent equity in PhileoAllied.

Besides Johor-based Kestrel, AAB is also in the process of acquiring Kuala Lumpur-based MGI Securities Sdn Bhd and Penang-based Soon Theam Securities Sdn Bhd.

AAB had signed agreements for the acquisitions of Kestrel and Soon Theam in March. Early this month, it entered into an agreement with Tongkah Holdings Bhd for the acquisition of the latter's entire equity interest of 75 per cent in Kestrel.

With the three acquisitions in the bag, AAB will only need to buy one more stockbroking firm in order to become a universal broker, on the premise that PhileoAllied Securities is the anchor.

The Securities Commission guidelines require a merger to comprise one anchor and four other units.

Another reason is that PhileoAllied Securities is already equipped with online trading, which is another SC requirement for an anchor.

On the issue of pricing, a banking analyst said that Maybank should rate the PhileoAllied share at RM2.80 instead of RM2.50.

"The offer made by Maybank is considered cheap, and it is possible the shareholders of PhilleoAllied will reject it," he added.

However, the analyst said the merger between the two banks "has to go on.

"If pricing is the issue, the central bank will have to intervene to resolve the problem," he said.

Maybank and PhilleoAllied had signed a Memorandum of Understanding for the proposed merger between their commercial banking and stockbroking businesses last month.

(END)