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PhileoAllied: Poor valuations caused rejection of merger deal

PHILEOALLIED Bhd said yesterday poor valuations were among the reasons which led major shareholder Avenue Assets Bhd to reject Malayan Banking Bhd's bid in a merger deal.

AAB holds 18.42 per cent of PhileoAllied with Mokhzani Mahathir a substantial shareholder through Pantai Holdings Bhd.

In reply to queries from the Kuala Lumpur Stock Exchange, PhileoAllied said AAB has given four reasons for its rejection of the merger deal.

AAB said the proposed offer has substantially undervalued PhileoAllied following the company's net tangible asset per share which stood at 186 sen as at April 30. AAB said assuming full conversion of the 1996/2001 ICULS and 1999/2004, the NTA would rise to 213 sen per share.

"The price of PAB (PhileoAllied) share at RM2.50 each on current earnings would represent a price earnings ratio (PE) of single digit. Maybank at RM15.00 each equates to about three times the NTA of Maybank and a PE which is substantially higher than the current PE of PAB at RM2.50," it said.

Another reason, AAB said, is the absence of a cash alternative by Maybank, which has made the scheme unattractive to it.

AAB also believes its board has a fiduciary duty to the shareholders to obtain the best possible price for their shares and believes that Maybank's offer will not satisfy that criterion.

Another reason is the procedure of the merger. AAB said it has been advised by its lawyers that it may not be proper for the merger to be effected via Section 176 of the Companies Act as it may give a misleading impression that PAB and PhileoAllied Bank Bhd are financially insolvent.

"The correct procedure would be an offer to be made under the Malaysian Code on Takeovers and Mergers, 1987," AAB said.

Meanwhile, Utama Banking Group Bhd said in a statement that it has no knowledge of a report that PAB may merge with the group.

In a statement to the KLSE late yesterday evening, Maybank said it has not received any request for further negotiations on the proposed merger.

Banking analysts said both parties will have to re-negotiate the deal, particularly on the pricing issue.

"They have five more months to re-negotiate before signing the merger agreement by the end of this year," one analyst said.

He agreed with AAB that Maybank's offer of 1.21 times the fully diluted shareholders funds of PhileoAllied is undervalued, adding that "it should be at 1.8 times".

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