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Phileo Allied to acquire Pos Malaysia for RM800m (HL)

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CASH-rich Phileo Allied Bhd has made a surprise move to buy Pos Malaysia Bhd for RM800 million in an unusual deal that may see the Government emerge as a 32 per cent controlling stakeholder anytime over the next five years.

Phileo yesterday signed a conditional agreement to buy Pos Malaysia from the Minister of Finance Inc (MOF Inc) for RM550 million cash and RM250 million in convertible loans, said Phileo's adviser Commerce International Merchant Bankers in a statement.

At any time in the next five years, MOF Inc may elect to convert all the loans, which carry a 5 per cent annual interest rate at monthly rest, into new Phileo shares at par.

This leaves unclear whether the deal constitutes a privatization of Pos Malaysia.

If MOF Inc exercises its option, the Government will own 250 million new shares in Phileo, or 32.9 per cent of its eventual enlarged capital, in turn diluting the company's current single largest shareholder, Avenue Assets Bhd.

Pos Malaysia would then simply become a Government-controlled corporation.

Avenue Assets would see its interest reduced to just 10.3 per cent from 17.5 per cent now, assuming its existing loan stocks and employee share options are converted.

If MOF Inc does not convert the loan in the next five years, Pos Malaysia would remain in private hands under the deal, and therefore privatized.

Phileo will have then to repay the full RM250 million. MOF Inc must redeem or convert the whole, and not portions, of the loans.

Under the deal, Phileo will also assume a sum of RM259.3 million that Pos Malaysia owes to the Government and which will be deemed fully paid.

Phileo is paying roughly RM8.14 for each Pos Malaysia share, which is about 15 times its net earnings for the year ended December 31 2000, and 1.4 times its net tangible assets per share.

Pos Malaysia has a paid-up capital of 98.2 million RM1 shares. Its unaudited net tangible assets stands at RM561.6 million, and it showed a net profit after tax and minority interests of RM54.9 million as at December 31 2000.

Phileo last traded at RM1.96 before suspension on Wednesday.

This deal comes barely a month after businessman Datuk Mokhzani Mahathir left the Malaysian corporate scene and sold off his indirect interest in the Phileo group to little-known soap-maker Datuk Lim Tong Yong.

Lim now controls Phileo through Pantai Holdings Bhd's 22.8 per cent stake in Avenue Assets. He bought Mokhzani's 32.8 per cent interest in Pantai for RM60 million on April 26.

Phileo, which sits on a RM1.18 billion cash pile, has been a shell company and without a core business since selling off Phileo Allied Bank (Malaysia) Bhd and Phileo Allied Securities Sdn Bhd to Malayan Banking Bhd for RM1.3 billion.

The acquisition is conditional upon the execution of lease agreements by the Federal Lands Commissioner and Pos Malaysia in respect of parcels of land alienated to the Federal Lands Commissioner pursuant pursuant to the Postal Services (Successor Company) Act 1991.

It is also conditional upon the granting of an extension to Pos Malaysia's licence to conduct postal operations and services for another 21 years till December 31 2034.

The proposals are subject to the approvals of the Securities Commission, the Foreign Investment Committee, shareholders and relevant authorities.

The proposed acquisition of 98.23 million Pos Malaysia shares will be accompanied by disposal of interests in Phileo Asset Management Sdn Bhd, PhileoAllied Options and Financial Futures Sdn Bhd and PhileoAllied Unit Trust Management Bhd, Phileo said.

All three companies will be sold to Pentaville Investments Ltd, a wholly-owned subsidiary of Avenue Assets, for RM23 million to be satisfied through the issuance of 23 million new Avenue Assets shares at par.

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