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Heavy selling in BToto loan stock entitlements

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GAMING operator Berjaya Sports Toto Bhd (BToto) saw heavy selling in its loan stock entitlements yesterday as some investors opted to hold cash amid an uncertain environment in the stock market, dealers say.

Dealers and analysts said investors were reacting to the uncertainty over government leadership, following Prime Minister Datuk Seri Dr Mahathir Mohamad's sudden resignation of his party posts and a subsequent retraction.

"The rights and the (upcoming) loan stocks themselves carry market risks and investors are generally selling because of the uncertainties," said an analyst with a foreign research firm.

"Investors that are selling the loan rights now are (those) who have already sold their BToto shares, and made a tidy profit (after) it went ex-dividend two weeks ago," a dealer said.

The rights entitlement fell 21.8 per cent from its theoretical fair value of RM2.94, amid a sharp fall in the broader stock market. The benchmark Kuala Lumpur Composite Index (KLCI) lost 2.3 per cent, its sharpest drop in three weeks, while the broader Emas Index fell 2.6 per cent, following Dr Mahathir's unexpected move over the weekend.

The rights, or BToto-LR, were the most actively traded counter, losing 64 sen to M2.30 on a volume of 10.1 million units. Parent stock BToto, the fifth most active, lost 5.8 per cent or 24 sen to close at RM3.90 with 6.2 million shares done.

The rights entitle holders to subscribe to the 8 per cent irredeemable convertible unsecured loan stocks (ICULS) for RM1 each. They can then convert every RM1.20 worth of loan stocks, or RM1 in ICULS and 20 sen cash, into one new BToto share.

The rights issue of ICULS, and a concurrent special cash dividend, are part of a complex deal to help parent Berjaya Land Bhd (BLand) repay inter-company loans taken between 1998 and 1999. BToto will keep BLand's block of ICULS as part of a move to ensure its parent will eventually repay the inter-company loans.

However, whether investors get the special dividend still depends on the outcome of the loan stock issue. The special dividend is conditional on the success of the rights issue, which will only be known after July 15, the last day for investors to subscribe.

BToto has said that the dividend will not be paid if the rights issue does not proceed, even though its share price has already been adjusted for the dividend. However, the bulk of the RM751.3 million ICULS rights is underwritten, which makes it unlikely to fail.

Analysts are confident that the apparent heavy selling would not hurt the Berjaya group's plan to repay its gaming arm although it would depend on how BToto's shares perform.

"Ultimately, whether or not shareholders go through the ICULS exercise would depend on how much the market values BToto," said a local analyst.

Last week, Btoto declared a 25 sen gross final dividend, bringing the total gross dividend to 50 sen for the year ended April.

"(This is an attractive dividend yield of 12 per cent (and) we believe BToto has the ability to maintain its dividend payout," the analyst said.

(END)