

Will EPF-UEM match Jelas Ulung's offer for Plus?
Malaysiakini.com
Disember 21, 2010

PLUS Expressways Bhd's shares shot up 33 sen to RM4.69 this morning after relatively unknown Jelas Ulung Sdn Bhd came in with the latest and highest offer of RM5.20 per share for the toll operator yesterday in a deal worth RM26 billion.

The next 48 hours will therefore be crunch time for PLUS as the market closely watches whether the UEM Group Bhd-Employees Provident Fund team ups Jelas Ulung's offer and if Asas Serba Sdn Bhd, yet another potential bidder, also does likewise.

Jelas Ulung was incorporated last month for the sole purpose of the acquisition and is headed by Ibrahim Zain.

Various media reports have linked Jelas to Halim Saad, the former Renong chairman, although Ibrahim has also reportedly denied this to the media.

Including PLUS' liabilities of RM12 billion, the acquisition would cost Jelas Ulung a sizeable RM38 billion, of which RM33 billion would be funded via a loan from Bank of China and RM5 billion from two unnamed private investors.

News reports also stated that Asas Serba Sdn Bhd, which made an offer to the government to take over 23 tolled roads and highways in the country for RM50 billion in May, will make a new bid for the country's largest toll operator.

Jelas Ulung's offer represents a premium of between 7 and 20 percent to PLUS' shares at yesterday's close of RM4.36.

"Based on the offer price alone by Jelas Ulung, RM5.20 appears attractive as it represents a premium of 19.3 percent to PLUS' last closing price of RM4.36, and 13 percent to the UEM-EPF offer price of RM4.60.

"It is uncertain, however, if Khazanah and EPF, which collectively hold 67.5 percent in PLUS, would be allowed to vote on Jelas Ulung's offer. Should voting be allowed, we see two possible outcomes, namely accept the offer, or make an offer higher than RM5.20 via UEM-EPF," OSK Research said in its research note today.

Government disapproval

OSK said the chances of Khazanah and EPF voting against Jelas Ulung's offer and at the same time not matching its price were slim.

"Such a decision would be viewed negatively by the investment community as it is not in the best interest of minorities," it said.

Nonetheless, OSK notes that there remain some uncertain details with regards to government approval for Jelas Ulung's offer and the identity of Ibrahim's equity partners. Plus would hold its extraordinary general meeting at 10 am on Thursday to vote on the RM4.60 offer from UEM-EPF.

In light of Jelas Ulung's higher offer, minorities may vote against the UEM-EPF offer.

Jelas Ulung's offer will be valid until March 18, 2011, by which time another EGM is expected to be called before the expiry.

"Our analysis of the possible outcomes suggest that the RM5.20 offer will serve as a floor price for PLUS. As such, we are revising our target price to RM5.20 to reflect the new offer and upgrade our call from neutral to trading buy," it said.

However, OSK said its recommendation were not without risks, including PLUS' major stakeholders, Khazanah and EPF rejecting the RM5.20 per share offer by Jelas Ulung and choosing not to match it.

"Another risk is of the minorities rejecting the UEM Group Bhd-EPF offer and the offer from Jelas Ulung subsequently failing to go through.

"The government's disapproval of Jelas Ulung's offer is also another key risk to our call, it said," it said.

- Bernama

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