

DRB-Hicom mops up 7.27% shares in Proton
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PETALING JAYA (Jan 18, 2012): DRB-Hicom Bhd yesterday bought 39.93 million shares in Proton Holdings Bhd, or 7.27% of the company, from the open market, a day after it won a bid to acquire Khazanah Nasional Bhd's entire 42.74% stake in the carmaker.

This means DRB-Hicom's total shareholding in Proton will cross the 50% mark, assuming the deal with Khazanah goes through.

"As such, the proposed mandatory general offer (MGO) will not be conditional upon acceptances," it said in a statement to Bursa Malaysia yesterday.

DRB-Hicom paid between RM5.40 and RM5.47 for the shares acquired yesterday.

On Monday, the diversified automotive group said it will pay RM5.50 a share for Khazanah's entire stake in Proton in a deal worth RM1.29 billion.

DRB-Hicom is expected to make an MGO for the rest of Proton shares over the next two months after it sought its own shareholders' approval to proceed with the deal to acquire Khazanah's stake.

"For minority shareholders, we think that this is an opportunity to exit the company," CIMB Research said yesterday.

DRB-Hicom's offer valued Proton at its highest level in over four years.

That must have been welcome news for some long-suffering minority shareholders. They must have been eager to throw their shares as the stock price moved close to the offer price.

Trading in Proton went into overdrive yesterday as volume swelled to over 57.4 million shares. It was revealed after the market closed that DRB-Hicom was the main buyer of the shares, which closed up 23 sen, or 4.4%, at RM5.41.

Proton had attracted a lot of interest since November on talk that potential bidders were lining up to offer Khazanah big money for a stake in the national carmaker.

Despite the announcement of the deal on Monday, speculation was still swirling yesterday of possible higher offers.

While rumours of a rival bid to compete with DRB-Hicom's offer will continue to make their rounds, the overwhelming view in the market is that the one on the table is the best and a fair one.

"We are of the view that at RM5.50 per share, DRB-Hicom may have factored in some asset writedowns, given the fact that the capacity at Proton's plants is only half utilised," OSK Research said.

Others said it's a win-win deal for both as Khazanah gets a higher price than that implied by the market based on Proton's fundamentals, while DRB-Hicom will acquire a controlling block at a price below its net tangible asset value.

But can the same be said for Malaysian car buyers?

Chances are domestic car prices will remain high even after the latest round of consolidation.

MIDF Research expects DRB-Hicom to strengthen and streamline Proton's operations and distribution networks, and ultimately enhance its products.

"This could be a ground for it to raise prices," the firm said.

Note that the recent collaboration between Malaysia Airlines and AirAsia in the airline industry, while positive for the companies' financials, has turned out to be a bad deal for travellers.

In fact, the newly established Malaysian Competition Commission (MyCC) noted that there are complaints that the share swap between shareholders of AirAsia and MAS has resulted in higher air fares.

With DRB-Hicom taking the driver's seat at Proton, managing director Datuk Seri Mohd Khamil Jamil will expand his reach in the automotive industry from manufacturing to assembly and distribution of both local and foreign brands.

This is similar to UMW Holdings Bhd, which has a controlling stake in Perodua and is the distributor of Toyota vehicles.

For the new owners of Proton, the immediate task is to jump-start the fledgling carmaker to justify the high price tag. The cash outlay for the acquisition is estimated at RM3 billion.

Low-hanging fruits to be reaped include selling off Lotus Group, which had proven to be an expensive turnaround venture.

Analysts do not rule out a cash call at DRB-Hicom to fund the takeover.

Shares in DRB-Hicom fell seven sen, or 3.2%, to close at RM2.10 yesterday.

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