

## Japan Tobacco offers RM808.5 mil to privatise JTI

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Japan Tobacco Inc wants to take JT International Bhd (JTI) private in an offer worth RM808.46 million.

In a regulatory filing today, JTI said Japan Tobacco, ultimately its major shareholder with 60.37% equity, had offered RM7.80 per share for the remaining 103.65 million shares it does not own.

The offer was made through JT International Holding BV, a wholly owned unit of JT International Group Holding BV, which in turn is wholly owned by Japan Tobacco.

At RM7.80 per share, the offer represents a 23.8% premium to JTIB's five-day volume-weighted average market price (WVAP) of RM6.30 per share, which is also its last closing price on Thursday, March 27 2014. Its shares had been suspended from Friday.

The last closing price of RM6.30 per share puts JTI's current market capitalisation at RM1.67 billion. JTI has peaked around the RM7.00 range over the last couple of years, hitting a multiple-year high of RM7.39 in December 2011.

To take JTI private, Japan Tobacco would need acceptances of 93.28 million shares or 90% of the outstanding shares it does not own, which is the threshold set by section 222 of the Capital Markets and Services Act 2007 for compulsory acquisition of any remaining shares held by shareholders who did not accept Japan Tobacco's offer.

The privatisation bid came as JTI, whose cigarette brands in Malaysia include Winston, Salem and Camel, expects a tough year year as inflationary pressures are set to push expenses up while sales volume is expected to decline.

JTI managing director Rob Stanworth was quoted as saying last month that the fourth quarter of last year saw a 10% dip in sales volume across the tobacco industry after a 14% excise duty hike in October 2013 as well as a price hike of RM1.50 per 20-cigarette pack.

Industry-wide sales volume are expected to drop further by at least 10% year-on-year (yoy) in 2014, according to various research houses.

For 4Q13 ended last December, JTI posted RM28.13 million in pre-tax profits from RM330.83 million in revenue, significantly up from RM9.57 million from RM290 million respectively in 4Q12.

Overall, JTI's pre-tax earnings for FY13 stood at RM164.34 million from RM1.27 billion in revenue, up 16.1% yoy from RM141.54 million in pre-tax profit from RM1.23 billion revenue in FY12.

JTI's shares will resume trading tomorrow.

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