

## **SYF Resources offer: What's fair and reasonable?**

**Kinibiz.com**

**Apr 14, 2014**

**By Khairie Hisyam**

When someone offers money for your shares, first thing to do is figure out if the price is fair and reasonable. But what does a fair and reasonable offer look like? Tiger tries to figure this out for SYF Resources shareholders.

Dear SYF Resources shareholders, TA Securities has advice for you — accept Ng Ah Chai's offer of 65 sen for every SYF shares you own, because the research house thinks the offer is fair and reasonable.

To recap, TA Securities said today that based on its analysis the offer is a 2-sen premium over the realisable net asset value (RNAV) of the company and while it's not the highest figure the company's shares has reached over the past year, it's near the higher range.

So in view of SYF Resources' illiquidity — average traded volume was a bit less than 3% of SYF's free float shares — the offer opens the door for investors to realise their investments "at a premium price", said TA Securities.

Sounds good? Sure, considering the company struggled to break past 30 sen for several years up to end October 2011.

Then again if you bought in when the shares were trending above 65 sen from September 2012 to June last year, hitting as high as 79.5 sen per share, maybe this exit price doesn't sound so premium after all.

"There can be no assurance that the market price of SYF shares will continue to trade at the current level in the future and this trend may not be an indication of the future performance of the market prices of SYF shares," said TA Securities in its advisory.

Fair enough an argument, Tiger concedes. Tiger cannot argue otherwise since Tiger hasn't seen a crystal ball on sale for many decades now, else it would have bought one and invested its way to riches untold. Come to think about it Tiger can't recall the last time it even saw one on the shelves.

Although this has proven to be no barrier to attempting to project the future based on current data and information.

Remember Petronas' botched takeover attempt of MISC Bhd? At the time AmInvestment said the offer is not fair but reasonable, and advised shareholders to accept the offered RM5.30 — later revised to RM5.50 — per share as no one else was making an offer.

The logic? MISC's recovery prospects are low, said AmInvestment, highlighting bleak prospects of MISC's core businesses — shipping liquefied natural gas, chemicals and crude oil.

Of course MISC's latest earnings and recent share prices look much better now. This month MISC shares are still above RM6.60 per share. As Tiger has scrawled about before, MISC's minority shareholders are now vindicated in rejecting the offer even though Employees Provident Fund (EPF) and some others caved in to Petronas' unfair offer.

Good thing some minority investors didn't take AmInvestment's advice to heart and did their own analysis, eh?

Another not-fair-but-reasonable offer that comes to Tiger's mind is the MBF Holdings Bhd takeover last year by CEO and majority shareholder Ninian Mogan Lourdenadin. His initial offer was revised twice and eventually hit RM1.775 per share and 77.5 sen per warrant, which minority shareholders finally accepted.

The funny thing to Tiger was that Affin Investment, the independent advisor to the shareholders for the exercise, advised that the offer was not fair but reasonable and that shareholders should accept it.

"We are of the opinion that holders will not be able to realise their investment," said Affin then.

In truth, Tiger is a simple creature. If it is not fair, how can it be reasonable? Is it reasonable to exit at a loss?

Then again Tiger concedes that since Ninian wanted to take the company private, minority shareholders faced two evils: sell at a loss or be stuck in a private company. Better some loss than total loss.

That said, Tiger wonders if shareholders should accept Ng Ah Chai's takeover offer for SYF Resources. Again, TA Securities argues it is fair and reasonable since the price is at a slight premium and there's no telling if the share price will tank tomorrow.

But the first thing to remember is that Ng intends to maintain SYF Resources' listing status and effectively promised business as usual for the company in the near-term.

OK, that's off the checklist: no pressure to exit from an intent to delist.

Now let's look at the business as usual part. Ng, basically the man in the driver's seat, now has a controlling stake with over 50%. For several financial years SYF Resources has seen net losses, but in FY12 it clocked in RM50.72 million in net profit from RM198.57 million revenue — although let's not forget RM37.8 million from the former figure was from debt waiver and interest write-back from its debt restructuring exercise.

But that still leaves RM12.9 million in net profits for FY12. FY13 saw RM11.85 million in net earnings from RM219.66 million revenue. Ng was at the helm so Tiger presumes he had a large part in the turnaround.

The question becomes: would you trust Ng to continue running the business? If things continue as they are, SYF Resources looks alright. If.

So the offer may be fair and reasonable in terms of numbers, but at the same time it's neither great nor irresistible. But hey, your money, your investment, your call.

GRRRRR!!

Copyright © 1999-2012 Mkini Dotcom Sdn. Bhd

Source: <http://www.kinibiz.com/story/tigertalk/81012/syf-resources-offer-what%E2%80%99s-fair-and-reasonable.html>