

## **RM2.8 bil EHP still a bad buy for FGV**

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**Tiger thinks that minority shareholders of Felda Global Ventures Holdings Bhd are getting the short end of the stick in the proposed RM2.8 billion purchase of Eagle High Plantations from Indonesia-based Rajawali Group. In all honesty, it looks like a really bad deal.**

So, Felda Global Ventures Holdings Bhd (FGV) has completed its due diligence on Eagle High Plantations (EHP), a subsidiary of the Rajawali Group founded by Indonesian tycoon Peter Sondakh. Still, Tiger cannot help but question if now is really the best time to go through with the deal. If anything, Tiger thinks that this is an even worse time for the deal to proceed.

Of course, if Tiger is going to make a statement like that, an explanation is in order, is it not?

First of all, Tiger would like to point towards the outflow of funds in the deal. Including the deposit, the deal will come up to US\$680 million, which at current exchange rates, is closer to the tune of RM2.86 billion from the RM2.55 billion in the middle of 2015.

Unless FGV has been holding its available funds in the US dollar, which Tiger sincerely doubts, Tiger only sees an increased cost for the group due to the exchange rate, which only marks the deal as being even more unfavourable than it already was in the first place.

Another point against making the currency exchange now is that national foreign reserves are already in a bad way. Is FGV going to go through with this deal, and worsen the situation? Can FGV actually survive the kind of bad reputation this move will bring?

And speaking of low, what about the current low prices of crude palm oil? In the current state of Brent crude oil being priced at around US\$50 per barrel, the demand, and thus the price, of crude palm oil is also seeing almost unprecedented lows. Again Tiger asks, is this really the right time for the deal?

As far as Tiger recalls, part of the responsibility of a director of a group or company, is to be accountable to all shareholders, as well as act in the best interest of the company or group. In all honesty, Tiger can see no justification, none at all, as to why this deal should even be passed.

Want more of an indication that the deal is generally considered a bad idea? Just look towards the reaction of your investors, FGV, when the proposal to acquire a non-controlling majority stake in EHP was announced.

In the two trading days following the announcement in June 2015, the value of FGV's shares fell 11% from RM1.86 to RM1.65, with FGV's shares currently trading around the RM1.23 mark, almost three months later.

At this point, Tiger would have also mentioned the fact that FGV was also staring at debt, but steps have been taken towards clearing that up; so Tiger will just mention that the deal to dispose of the group's Canadian offseeds crushing and refining plant in Canada has met the thumbs up from analysts who think that it is a good idea, as the proceeds, according to FGV, will be utilised as working capital, as well as clearing up some of the borrowings of the group,

It should be noted that, as of the end of March 2015, FGV was looking at a debt of RM4.6 billion.

Well, the deal to dispose of the plant in Canada is all well and good, as long as none of those funds get redirected towards purchasing EHP. Honestly, however "unparalleled" the land bank of EHP may be, Tiger is of the opinion that it is still not worth putting the group in heavy debt for, not to mention paying for part of the thing with FGV shares.

As it is, the EHP deal is still dependent on all the shareholders, and Tiger's advice is to say no to the EHP deal, and for those same shareholders to exercise their right to vote on the future of FGV.

At the end of the day, Tiger is still an observer, but really, this deal stinks as bad as food that has been kept in a car under Malaysian weather for too long. It still remains the shareholders' choice, so Tiger implores the shareholders of FGV to ponder this issue carefully before casting their votes at the meeting to decide all this.

This is not the time for the EHP deal, nor is FGV in any financial condition to go through with it.

But hey... what does a tiger know?

GRRRRR!!!

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