

## **MINORITY SHAREHOLDER WATCHDOG GROUP**

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD  
(Incorporated in Malaysia – Company No. 524989-M)

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# **MSWG: Problem unsolved**

## **DRB-HICOM buying stake won't help Proton over long term**

**PETALING JAYA:** DRB-HICOM Bhd's bid to buy a controlling stake in Proton Holdings Bhd will not solve the national carmaker's longer-term problem, said the Minority Shareholder Watchdog Group (MSWG).

The group said in a statement that if it was true DRB-HICOM was a front-runner for Khazanah Nasional Bhd's 42.7% stake in Proton, it would not solve the latter's problem of needing a partnership with an established auto manufacturer with technological capabilities and global reach.

"From DRB-HICOM's perspective, it (stake in Proton) could give it control of 54% of the Malaysian vehicle market and a move up the value chain from assembler to manufacturer.

"But at the speculated price of RM5.90 per share, Proton could cost DRB-HICOM a total of RM3.24bil, assuming a general offer (GO) is triggered. This would raise its gearing to 0.78 times, from 0.14 times currently, significantly increasing its business risk profile given the high acquisition cost," MSWG said.

It pointed out that Proton would

also require significant funding to be competitive, adding: "The question remains whether DRB-HICOM would be able to improve the weakening financial position of Proton, and also provide research and development facilities to the company."

DRB-HICOM and a few others including the Naza Group, have reportedly emerged as potential suitors to take over Proton from state investment firm Khazanah.

DRB-HICOM is the country's largest publicly-traded automotive company while Naza is the largest privately-held automotive group.

News reports have pegged DRB-HICOM's offer price for Proton at RM5.90 per share,

MSWG said that based on media reports that Khazanah would decide by this month whether to sell its stake in Proton and its main condition for the sale was that the party must buy its entire block, which would trigger a GO.

Proton shares have raced to record highs since the takeover talks began. However, its share price dropped slightly to RM4.50 yesterday from RM4.55 on Friday with 3.26 million shares changing hands.