

MAINSTREAM

Discounted Maypak share sale raises eyebrows

Minority shareholders may not accept the offer, but Japan-based Toyo does not need their nod



by Shailini Kumar

THE sale of a 54.95% stake by Toyo Seikan Co Ltd in Malaysia Packaging Industry Bhd (Maypak) at a steep discount of 63% to Japan's Taisei Lamick Co Ltd has raised investors' eyebrows.

The Minority Shareholders Watchdog Group (MSWG) tells *FocusM* that Maypak shareholders should question the board on the merits of selling the majority stake at a huge discount.

"In our opinion, the minorities should not accept the offer at the price. Based on the shareholding structure in the annual report as at March 18, minorities with approximately 45% stake definitely will want to question the board on the sale price and the mandatory general offer (MGO)," it says.

The watchdog group adds that usually, an offer price with a discount of 10-20% is acceptable, but in this case, such a steep discount will have a consequential impact on minorities.

Maypak did not respond to questions from *FocusM*.

On July 29, Maypak announced that Taisei had signed a conditional sale and purchase agreement with its major shareholder Toyo to buy the latter's 54.95% stake in packaging company Maypak for RM3.83mil or 16.6 sen a share. The parties have two months to conclude the deal.

Once done, Taisei, which is listed on the Tokyo Stock Exchange, will have to extend an MGO to acquire all the remaining Maypak shares. Maypak says it expects the proposal to be completed within the second half of this year.

The selling price of 16.6 sen is a 63% discount on its pre-suspension price of 45 sen on July 28 and a 70% discount on its net asset per share of 55 sen as at March 31.

The counter has been trading at an average of 43.3 sen in the last 12 months. It traded at a year high of 59 sen on May 19, last year, versus a low of 36 sen on Sept 9, last year.

As it is, investors did not view the news of the share sale favourably. The counter declined 13.33% to close at 39

MALAYSIA PACKAGING INDUSTRIES BHD

KEY BOARD MEMBERS AND MANAGEMENT
DATUK SULAIMAN DAUD (chairman)
MITSURU HIRAMUKU (managing director/CEO)

MAJOR SHAREHOLDERS
Taisei Lamick Co Ltd 54.95%
DIC Corporation 10%
Ajinomoto (Malaysia) Bhd 5%

MARKET CAP RM17.7m
SHARE PRICE (Aug 18) 42 sen
52-WEEK HIGH (May 19, 2015) 59 sen
52-WEEK LOW (Sept 9, 2015) 36 sen

FINANCIAL RESULTS (Q1 ended March 31)
REVENUE RM21.9m
NET PROFIT RM430,000

sen on Aug 1. However, the share price has been on an uptrend, closing at 46 sen on Aug 17.

A market observer says given that Maypak's three largest shareholders hold a collective 69.95% stake, selling activities by the minority shareholders will not be sufficient to cause such downward pressure on the share price.

"If this selling activity is done only collectively can minority shareholders show their disapproval of the entire proposal," he says.

Another side of the story

However, a fund manager believes the 16.6 sen price tag per share is reasonable.

"Although it may seem like a really low offer, the company needs money, and the only way growth can happen is if another company, which is bigger or of a similar size to the ultimate shareholder takes over," he says.

Maypak, the fund manager says, has a large loan from its ultimate shareholder Toyo. So the majority stake was



Maypak produces flexible, light packaging materials and special application packaging for the medical, prophylactics, pharmaceutical, special food, seasoning, and electronics industries

likely sold to the first offer it received since the new shareholder will have to repay the borrowings.

The company's 2015 annual report says Maypak has RM36.1 mil in loans from Toyo, which are denominated in the dollar and yen.

There is also the question of what this means for other minority shareholders as they will probably not consider the offer price if it is at 16.6 sen.

"The MGO offer is just to comply with listing regulations. It is very likely that none of the shareholders will sell at that price, even the two existing institutional shareholders [DIC Corp and Ajinomoto]."

"For the minorities, it is not considered a reasonable offer since the price is below the net asset per share of 55 sen. I believe the new shareholder may want to keep Maypak's listing status," the fund manager says.

He also says that since Toyo is based in Japan, it does not need to obtain Maypak shareholders' approval and will need the green light from Toyo shareholders only for the proposed sale.

A press release on the Toyo website indicates that the sale of its stake in Maypak was "resolved" by the board of directors on July 29.

"Maypak has played an important role as the regional centre of the film business, such as exporting to the

surrounding areas including Thailand, Vietnam and Indonesia.

"Maypak, however, could not have secured a profit in recent years due to higher material costs and rising personnel expenses," the group said in its statement.

It added that through discussions with Taisei, it had concluded that Maypak's corporate value will be further enhanced if Taisei can manage the company following the transfer of its shares.

For the first quarter ended March 31, Maypak posted a net profit of RM430,000 compared with a net loss of RM497,000 a year before.

However, its revenue was lower at RM21.9 mil from RM22.4 mil previously. The company had incurred losses since FY13.

Taisei is mainly involved in the manufacture and sale of film packaging materials used for packing food products, cleaning detergents and other consumer goods.

The proposed deal was part of its global strategy to expand its geographical presence and further strengthen its position in the plastic film packaging materials industry.

Once the proposed acquisition is concluded, Maypak will become a subsidiary of Taisei and will function as the group's regional headquarters in Southeast Asia. *FocusM*