

Longer Boustead restructuring likely

Firm to focus on value creation upon privatisation lapse

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PETALING JAYA: With the takeover offer for Boustead Holdings Bhd being scrapped after two rounds of extensions, there are concerns that the loss-making group's restructuring exercise may take longer to complete.

Market observers said the decision by the Armed Forces Fund Board (LTAT) to abandon the privatisation plan may not derail Boustead's efforts to return to profitability and reduce its massive debt burden.

However, by retaining Boustead as a listed entity on Bursa Malaysia, this may affect the pace of its restructuring, according to an analyst.

"As a listed entity, the group will need to get approvals from other shareholders and need to go through more processes in making a decision.

"Had it been privatised, the process would have been leaner and faster.

"Anyway, this does not mean that Boustead's restructuring would be derailed," he said.

It would appear that the market did not favour the latest development, judging from the 14.1% fall in its share price yesterday.

This follows another 6.6% share price drop in the previous day the Boustead stock was traded.

Had the privatisation been completed, shareholders would have been compensated closer to LTAT's indicative offer price of 80 sen as compared to yesterday's closing price of 61 sen per share.

As the privatisation attempt has fallen through, the diversified Boustead will remain

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Devanesan Evanson

as a listed company on Bursa Malaysia.

LTAT's stake in Boustead will not be affected, which currently stands at 59%.

The analyst added that the faster Boustead returns to the black, the better it would be for LTAT as dividend payments from Boustead would resume once again.

The last time Boustead paid a dividend was in the third quarter ended Sept 30, 2018. It has stopped rewarding its shareholders as a result of cash constraints amid massive debt burden.

As at its third quarter of 2020, Boustead was sitting on RM7.7bil borrowings, against a cash and cash equivalent value of RM516mil.

"It now depends on Datuk Seri Mohammed Shazalli Ramly and Datuk Seri Amrin Awaluddin to speed up the restructuring of Boustead," the analyst said yesterday.

Mohammed Shazalli joined Boustead as its new chief on Dec 1, 2020 while Amrin took charge as LTAT's new chief executive on

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Jan 4 this year.

Amrin had previously led Boustead's transformation initiatives for more than a year as its managing director, but stepped down from the group effective Nov 15, 2020.

According to Minority Shareholders Watch Group (MSWG) chief executive officer Devanesan Evanson, with the privatisation plan being cancelled, there will be greater transparency and timely disclosure of material information regarding Boustead's restructuring.

This is because the group will be bound by the disclosure requirements under the bourse's listing requirements.

"As a privatised entity, Boustead will not be bound by these requirements," he told *StarBiz*.

Devanesan also said that Boustead's restructuring would be able to take place even without a privatisation by LTAT.

"The preferred option to restructure Boustead depends on LTAT's comfort levels when analysing the various options available to LTAT.

"LTAT in turn would have undertaken its decision in consultation with Boustead's board of directors.

"Anyway, both LTAT and Boustead have outlined their plans and commitment for the restructuring of Boustead without undertaking a privatisation," he said.

In a statement issued on Feb 2 following LTAT's announcement to cancel the takeover offer, Boustead said both LTAT and itself had jointly-agreed for Boustead to focus on its newly crafted "Reinventing Boustead" strategy to rejuvenate the group.

Boustead's reinvention initiatives to be unveiled soon

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"This strategy will involve value creation within the group's existing core businesses, creatively changing business models, rationalising a few non-strategic assets, as well as venturing into the digital services and technology sector," it said.

Meanwhile, the newly minted Boustead managing director Mohammed Shazalli said the group would begin unveiling its reinvention initiatives one-by-one over the next few weeks.

"The need to reinvent Boustead is needed more than ever. Through enhanced creativity and continuous innovation of business models, anchored in the foundation of uncompromising governance and integrity, we commit to transform our brick-and-mortar businesses to become more robust, digitised and sustainable," stated Mohammed Shazalli.

LTAT had first announced its intention to take Boustead private in May last year.

The Armed Forces superannuation fund had twice asked for an extension from the Securities Commission.

The first extension ended on Oct 27 last year, while the second extension ended on Feb 2, 2021.

As one of Malaysia's oldest conglomerates, Boustead comprises more than 90 subsidiaries, associate companies and joint ventures, and has substantial interests in various sectors of the Malaysian economy.

Boustead owns majority stakes in Boustead Heavy Industries Corp Bhd, Boustead Plantations Bhd and Pharmaniaga Bhd, as well as a 21% stake in Affin Bank Bhd.

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