

## MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia – Company No. 524989-M)

The Edge Financial Daily – Home Business – 5 November, 2012 (C)

# Shareholders likely to seek dividend at EGM

## KFCH has not declared a dividend for the past year

by **Max Koh**  
FD@bizedge.com

KUALA LUMPUR: KFC Holdings (M) Bhd's (KFCH) minority shareholders may ask for a dividend payout at the company's EGM today in view of the delay in the privatisation of the company.

According to a business executive familiar with the matter, the privatisation was proposed on Dec 14 last year, and the country's largest fast food operator has not declared dividends in the past few quarters.

"This is normal in any privatisation exercise. But KFCH had stopped declaring dividends altogether this year — an anomaly, considering that it has been consistently declaring dividends in the past," said the business executive.

The Minority Shareholder Watchdog Group also raised this dividend poser last week. "We believe the board should consider distributing any additional dividends that would have accrued during the year as [it has been almost a year] since its announcement," said the watchdog group.

However, an executive close to Johor Corp (JCorp), which is spearheading the privatisation, said if the group were to declare dividends, the offer price would

have to be adjusted lower based on the amount paid.

"It's stated in the proposal to the company and its shareholders," this executive said.

The executive also said KFCH's earnings had deteriorated due to competition and the value for those undertaking the privatisation has actually reduced.

For the first half ended June 30, 2012, KFCH's net profit fell 17% to RM60.3 million from RM72.5 million a year earlier. Revenue rose 11% to RM1.47 billion from RM1.33 billion.

"The privatisation was based on future earnings [which have] actually taken a dip compared to last year. Because of the delay, those undertaking the privatisation cannot get hold of the asset earlier to improve operations," he said.

JCorp, together with Melati Asia Holdings Ltd, has proposed the privatisation of QSR Brands Bhd and which holds 51.07% of KFCH. Melati Asia is majority-owned by the Employees Provident Fund (EPF) and CVC Capital Partners, a private equity firm.

If the proposal gets 75% of shareholders' approval, it will see JCorp directly control QSR and KFCH, Malaysia's largest fast food operator.

The exercise has been delayed because of lengthy negotiations between the prospective new owners and the franchise holder of KFC which is US-based YUM! Brands Inc.



VALERIE CHIN

KFCH's earnings had deteriorated due to competition and the value for those undertaking the privatisation has actually reduced.

A fund manager said the completion risk is what those who proposed the privatisation must take.

"The earnings over the past one year, although less than previous years, belong to the existing shareholders. Over the last five years, KFCH has dished out an average gross dividend of 16.9 sen per share per year. Although KFCH does not have a dividend policy, this represents an average payout

ratio of 75%," he said.

The business executive said there is no reason for KFCH not to declare dividends given that it is still making money.

A consumer analyst said a dividend sweetener would most likely appease these unhappy shareholders. But in any case, he said, they would likely vote for the deal to go through anyway.

"Most minorities will gladly

accept the offer as earnings have contracted significantly. If the deal doesn't go through, the share price will retreat," he said.

KFCH shares were trading around RM3.30 before the offer was made on Dec 14. The share price has since risen to trade around the offer price of RM4. KFCH closed one sen lower at RM3.91 last Friday.

A spokesman for Massive Equity Sdn Bhd, the special purpose vehicle set up to privatise KFCH and QSR, said the proposed offer is "fair and reasonable".

"Based on the recommendations of the advisors to the deal ... the offer will allow shareholders to realise their investments at an attractive premium," he said in a statement last week.

KFCH shareholders and warrant holders will vote today on the deal, while QSR shareholders and warrant holders will meet tomorrow.

The deal needs 75% of the outstanding shares — not owned by JCorp and its related companies namely QSR and Kulim (M) Bhd — to go through.

According to the circular to shareholders, JCorp and its related companies own almost 52% of KFCH, leaving the remaining 48% to vote for the deal.

Lembaga Tabung Haji holds a 17.8% stake in KFCH and is likely to vote in favour of the deal, leaving only another 18% of the shareholders to approve the deal.