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No LTAT takeover

Boustead deal scuttled due to uncertainties and challenges arising from Covid-19 pandemic

CORPORATE

By DANIEL KHOO
danielkhoo@thestar.com.my

PETALING JAYA: The Armed Forces Fund Board (LTAT) has dropped its plans to privatise its main investee company Boustead Holdings Bhd for the time being due to the challenging economic environment.

"We wish to inform that after a careful evaluation of various factors in implementing the proposal (proposed privatisation), in light of the prolonged challenging economic environment arising from the Covid-19 outbreak and the reimplementation of the movement control order, there has been heightened risks and increased uncertainties to successfully conclude this proposal," LTAT said in a press release yesterday.

"As a controlling shareholder of Boustead, LTAT is supportive of its plan to actively pursue and successfully execute its turnaround plans and growth strategies," the fund added.

LTAT also said that it would continue to review its options in line with its objective to preserve and enhance the value of its portfolio assets and to improve the long term return to its contributors.

LTAT's chief executive officer Datuk Seri Amrin Awaluddin was not immediately available for comments on this latest development.

Boustead said in a separate statement that due to this development, it was jointly-agreed between both parties that Boustead's management will focus on its newly crafted Reinventing Boustead strategy to rejuvenate the group.

Boustead said that this strategy will see the value creation within its existing core businesses, creatively changing business models, rationalising a few non-strategic assets, as well as venturing into the digital services and technology sector.

"The need to reinvent Boustead is needed more than ever. Through enhanced creativity

"Over the next few weeks, we will start unveiling our initiatives one-by-one to accelerate the reinvention of Boustead."

Datuk Seri Mohammed Shazalli Ramly

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," Boustead's group managing director, Datuk Seri Mohammed Shazalli Ramly said in a separate press statement.

"Over the next few weeks, we will start unveiling our initiatives one-by-one to accelerate the reinvention of Boustead, and ultimately meet the expectations of our shareholders," Shazalli Ramly added.

Boustead's chairman, Datuk Seri Mohamed Khaled Nordin, said he welcomed this decision and will now put the company's attention to capitalise on emerging opportunities and accelerate value creation.

"We are clear on the path we need to take to improve our business prospects and maximise the returns to our main stakeholders – the military contributors of LTAT," Khaled Nordin said.

LTAT has a 59.4% stake in Boustead and first announced of its intentions to privatise the latter in May last year, some two months after the Covid-19 pandemic came to the country's shores.

The fund, which had been given two extensions by the Securities Commission to come up with a solid proposal to privatise Boustead, had seen this latest extension expire yesterday.

The change of heart pertaining to this privatisation also coincides with a recent change of the top executives at Boustead and LTAT.

At the beginning of this year in January, LTAT appointed Amrin to head the fund. Amrin was the former managing director and chief executive officer at Boustead where he held the position until mid-November.

Meanwhile, Boustead's current group managing director Datuk Seri Mohammed Shazalli Ramly had been appointed to head the firm since Dec 1, 2020.

It was reported earlier that LTAT had said then it was considering of making an offer of 80 sen per Boustead share to buy out the remaining shares it does not own in the company.

The reported offer price is below Boustead's net tangible assets of RM1.74 per share and that the fund could face an uphill task of gaining acceptance from other resistance from Boustead's minority shareholders to sell their stake at 80 sen.

From a closing low of 35 sen on March 23 after the movement control order was implemented on March 18 last year, Boustead's shares had recovered slightly and it has regained some of its losses.

Boustead shares closed 5 sen down to 71 sen on Friday, 29 Jan and was not traded yesterday after a suspension request from the company last week.

In its most recent reported third quarter for the period ended Sept 30, 2020, Boustead saw its net loss narrow to RM51.8mil from an net loss of RM155.0mil in the same quarter a year ago.