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Consortium launches privatisation bid for Eu Yan Sang

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by
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Analysts had said last week that there was a case for privatising Eu Yan Sang, given recent soft conditions in the retail industry and subdued trading liquidity. FILE PHOTO

Rise and fall

Singapore

A CONSORTIUM led by a UOB-backed fund, a Temasek Holdings unit and Eu Yan Sang International's group chief executive officer Richard Eu has launched a takeover bid for the well known traditional Chinese medicine retailer, potentially spelling an end to its 16 years on the mainboard.

It is offering S$0.60 cash for each share in the family-controlled company it does not own, with the goal of delisting Eu Yan Sang, the consortium said in a Singapore Exchange filing released shortly after midnight on Sunday. The announcement confirmed a Business Times report last week on the deal.

Substantial shareholders such as fund manager Aberdeen Asset Management Asia have already undertaken to accept the offer, the consortium added.

Its offer price valued the group at about S$269 million, about 7 per cent below Eu Yan Sang's last-traded price of S$0.645 last Tuesday - this was its highest level since May last year - when it halted trading after jumping by as much as 14.5 per cent.

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After the halt was lifted on Monday afternoon, the counter fell S$0.03 to S$0.615 on 752.4 million shares traded.

Market watchers said the consumer sector in Singapore has lately been a ripe target for privatisation bids as valuations slip, though some cautioned that it may be tough to relist these companies later.

The bid for Eu Yan Sang follows the group's posting of a staggering 95 per cent plunge in third-quarter net profit year-on-year on Sunday. It put this down to revenue declines in Malaysia, along with losses on its exit from the China food and beverage business, including the closure of its two remaining restaurants there.

The consortium, a special purpose vehicle (SPV) called Righteous Crane Holding, counts investment fund Tower Capital TCM Holdings as its largest shareholder, with a 42 per cent stake. UOB Venture Management is "one of the investors" in Tower Capital, Righteous Crane said in a statement.

Danny Koh, who runs Tower Capital, said in the statement that the consortium's acquisition of the company would enable the new investors "to partner with the participating Eu family shareholders in their efforts to invigorate the company's businesses".

Mr Koh previously worked at private equity (PE) funds 3i Asia and Actis Capital Partners.

Temasek Holdings' indirect wholly owned unit Blanca Investments is the next biggest investor in the consortium, holding 30 per cent.

Mr Eu, who is also Eu Yan Sang's managing director, has the remaining 28 per cent. When contacted by BT, he declined to talk about the move. He would only say: "There's no guarantee of delisting, as we can do so only if we reach 90 per cent. It's too early to tell if we can delist or not."

Analysts had said last week that there was a case for privatising Eu Yan Sang, given recent soft conditions in the retail industry and subdued trading liquidity. They added that delisting would likely give the company more flexibility in running its business.

Sirius Venture Capital founder Eugene Wong, who invests in consumer sector companies, told BT on Monday: "I'm not surprised that in the market downturn, companies will be attracted to privatise ... There's quite a fair bit of private-equity (PE) money out there and the consumer sector is more attractive right now for PE, as the Asian consumer trend is still there."

But he added: "If instead of privatisation, you take in a strategic investor and rejuvenate your business, that may be an alternative route.

"If you want to privatise and eventually relist it or sell it, that still hinges on the fundamentals and what you will do differently to grow the business. I have seen companies not being able to list again because it is getting harder to list, so I would caution entrepreneurs who want to delist, thinking that it's going to be easy to relist down the road."

Righteous Crane said in its filing that its offer will go through if it and its concert parties acquire enough stock or get enough valid acceptances such that it controls more than 50 per cent of Eu Yan Sang, and if it obtains a statement of no objections to the offer from the Foreign Investment Review Board of Australia.

Eu Yan Sang does some business in Australia.

The offer looks likely to turn unconditional soon after it opens. The consortium has already received irrevocable undertakings to accept the offer from shareholders, who altogether control about 63.18 per cent of the company, it said.

That 63.18 per cent stake consists of 23.62 per cent collectively held by several Eu family members who have undertaken to tender their shares in exchange for stock in Righteous Crane rather than cash, plus another around 39.56 per cent stake belonging collectively to a few other Eu family members and other investors who have agreed to tender their stakes for cash.

Those other investors include prominent fund managers. Substantial shareholder Aberdeen Asset Management Asia has agreed to tender its roughly 10.65 per cent stake and First State Investment Management (UK,) its almost 1.60 per cent shareholding, the consortium said in its offer announcement.

The consortium will be able to do a compulsory acquisition once it reaches a 90 per cent stake in Eu Yan Sang, since it and its related corporations owned zero Eu Yan Sang shares when it launched its takeover bid.

This recalls the recent privatisation bid by OSIM International founder Ron Sim; his OSIM shares were not counted towards being a "related corporation" of his bidding SPV under the local Companies Act.

Righteous Crane said it does not intend to keep the company listed if Eu Yan Sang's free float falls below the minimum 10 per cent required by SGX listing rules. Its S$0.60 offer price is final and excludes the interim dividend of 2.5 Singapore cents per share that Eu Yan Sang announced on May 15, it added.

Righteous Crane's banker is Credit Suisse, which also handled Mr Sim's OSIM privatisation bid, OCBC Bank's acquisition of Barclays' wealth management business in Singapore and Chinese e-commerce giant Alibaba's roughly US$1 billion purchase of a controlling stake in Singapore-based e-commerce site Lazada.