Dayang offers RM1.55 a share to buy rest of Perdana Petroleum

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PETALING JAYA: Dayang Enterprise Holdings Bhd has launched a takeover bid for the remaining 64.49% stake it does not own in Perdana Petroleum Bhd for RM1.55 a share, valuing the company at RM1.16 billion.

Dayang triggered the 33% mandatory general offer (MGO) threshold after buying a 5.74% stake in Perdana Petroleum from Affin Hwang Asset Management Bhd for RM66.6 million or RM1.55 apiece, bringing its shareholding up to 35.51%.

The RM1.55 offer price represents a 6.16% premium against Perdana Petroleum's five-day volume weighted average market price of RM1.46.

Trading in shares of Dayang and Perdana Petroleum were suspended yesterday pending this material announcement, with a closing price of RM2.64 and RM1.50 each on Wednesday.

Dayang is also making an offer for warrants of Perdana Petroleum at 84 sen per warrant. It plans to maintain the listing status of Perdana Petroleum.

Dayang said the deal will be funded via borrowings, proceeds from the private placement exercise and internally generated funds.

It noted the corporate exercise represents an opportunity for the group to pursue its expansion strategy and long-term objective of evolving into a market leader for the provision of hook-up, construction and commission (HUCC) services within the oil and gas industry.

"Perdana Petroleum is a strategic fit to Dayang's HUCC business and the successful completion of the proposed MGO may result in the combined entity becoming one of the largest integrated HUCC players in the market.

"In addition, the proposals also forward Dayang's aspiration of becoming a regional player within the oil and gas industry," it added.

PublicInvest Research said in a note yesterday that leveraging on Perdana Petroleum's assets, Dayang's portfolio would be more capable in supporting its tenders in engineering, procurement, construction and commissioning (EPCC) activities as well as future deepwater tenders.

It noted that Dayang had been a strategic partner to Perdana Petroleum, previously leasing six of its vessels for the Sarawak Shell contract. Currently, it is leasing three vessels from Perdana Petroleum for its Sarawak Shell contract.

PublicInvest said Dayang had made known of its strategy in the past to be a vessel owner by way of acquisition of an offshore support vessel (OSV) player or Dynamic Position 2 (DP2) acquisition.

It said that Dayang has been taking initiatives to continue enhancing its bottom-line, bracing themselves for measures taken by oil majors in light of the oil price slide.

"We believe the group's intention to be a vessel owner would serve to enhance its bottom-line to better manage its costs for the future," it said.

PublicInvest said upon analysing Perdana Petroleum's vessels portfolio, which are about 80% of higher specification vessels (10,000 bhp and above, and various) thus is an attractive fleet to own.

"Despite Dayang being notified by Shell that current year work orders would be scaled back by some 15% from 2014 considering the uncertainties of oil prices, the overall RM2.4 billion Pan Malaysia contract remains intact but to be executed more rapidly towards a later part of the contract," it said.

It also pointed out that by absorbing Perdana Petroleum onto balance sheet, it would change Dayang's financial position, and possibly deem it non-shariah compliant. However, Public Invest were made to understand would be rectified going forward.

It went on to say that Dayang’s performance will continue to be supported by increasing and consistent work orders translating to higher earnings.

"Current call-out contracts stand at about RM4 billion to last at least until 2018, with an outstanding tender book of about RM800 million," it added.

Meanhwile, AllianceDBS Research noted that Dayang, after completing a cash call last year, has a war chest of RM194 million and therefore has room to take on debt funding for a take over with its net cash position.

Reference:

http://www.thesundaily.my/news/1419316