



## MEDIA COVERAGE

<b>MEDIA</b> : The Malaysian Insider	<b>TITLE</b> : Scomi shares hit 3 months high on IJM becoming largest shareholder
<b>COMPANY</b> : Scomi Group Bhd	<b>DATE</b> : 19 February 2016

### Scomi shares hit 3 months high on IJM becoming largest shareholder

Scomi Group Bhd jumped to the highest level in nearly three months after IJM Corp Bhd became the oil and gas (O&G) service provider's largest shareholder, by way of converting a bond issuance into shares at 36.5 sen each – a steep premium to Scomi Group's market value.

There are conflicting views as to why the construction conglomerate wanted to have a larger share of Scomi Group, which has seen its share price slashed by nearly two-thirds in two years. Some said it showed IJM Corp's confidence in Scomi Group, but others surmised Scomi Group might face difficulty in repaying the bonds.

At 11.45am, Scomi Group's counter catapulted to the seventh most active on Bursa Malaysia, with 20.67 million shares traded. It was valued at 17.5 sen, two sen or 16.67% higher than yesterday's close.

The normally languid counter went as high as 18 sen, the highest since December 2, 2015, with trading volume so far already 20 times higher than the average over the past one year.

At the same time, shares of Scomi Group's 65.65%-owned listed subsidiary, Scomi Energy Services Bhd, went up by half a sen to 21.5 sen with 2.77 million shares traded. However, shares of Scomi Engineering Bhd, a 72.33%-owned unit, were untraded.

Yesterday, Scomi Group announced to the bourse that its issued share capital will be widened to 1.92 billion beginning today, as there was conversion of convertible redeemable secured bonds of an aggregate nominal value of RM110 million into 348.87 million shares.

The group has yet to announce the changes in its shareholding structure, but with IJM Corp being the only subscriber to the redeemable bonds, back-of-the-envelope calculations showed IJM Corp is now the largest shareholder of Scomi Group with a 24.41% stake – after adding the 119.11 million Scomi Group shares it already owned.

A source familiar with the matter told The Edge Financial Daily yesterday IJM Corp is looking at this investment with a medium- to long-term view, with the setback Scomi Group is facing as a temporary one that most O&G-related companies are undergoing.

The source also pointed out that the conversion price was at a discount to Scomi Group's latest reported book value per share of 47 sen.

However, Hong Leong Investment Bank Bhd's HLIB Research today said in a note that Scomi Group might be facing constraints in paying back the bond IJM had subscribed to.

"Based on Scomi Group's FY15 (ended March) annual report, its cash balance stood at RM236 million. However, the bulk of this cash (about 96%) was held at its subsidiaries, namely Scomi Energy and Scomi Engineering Bhd. As such, this could pose some constraint on repayments," said HLIB Research analyst Jeremy Goh in the note.

"At the conversion price of 36.5 sen a share, IJM Corp would get an additional 348.9 million Scomi Group shares. However, at Scomi Group's last share price of 15 sen a share, this would value IJM Corp's stake at only RM52.3 million vis-à-vis the bond's nominal value of RM110 million," he added.