

Temasek of Singapore now controls Neptune

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SINGAPORE Temasek Holdings, Singapore's state-owned investment company, gained control of Neptune Orient Lines on Wednesday, about a month and a-half after it began a \$1.6 billion takeover bid for the company.

Temasek held a 50.3 percent stake in the operator of the world's sixth-largest container fleet Wednesday afternoon, according to a statement released to the stock exchange by Goldman Sachs, the investment company's adviser.

A stake higher than 50 percent makes the offer for Neptune Orient unconditional, which means Temasek is obliged to buy shares that are tendered at the offer price of 2.80 Singapore dollars, or \$1.66, and that its bid will be extended to Sept. 29. The offer for Singapore's largest shipping company, which was made on Aug. 3, was to have ended Wednesday.

"We have definitively crossed the 50 percent level, making the offer unconditional under the provisions of the takeover code," said a Temasek spokeswoman, Rachel Lin. "The offer is open for another 14 days. We expect that there will be additional acceptances during this period."

Temasek is looking for investments that will match its average annual return of 16 percent over the last 30 years. Shares of Neptune Orient have risen 30 percent this year and are among the 10 best performers on the benchmark Straits Times index.

Neptune Orient sought a suspension of its shares after the Temasek announcement "to allow for full dissemination" of the unconditional offer.

Temasek "will probably hold on to the controlling stake and mop up whatever that's sold to them," said Yang Sy Jian, head of research at UOB-Kay Hian Research. "If they get more than 90 percent, the shares will be de-listed."

Lin, the Temasek spokeswoman, would not comment on whether the company wanted more than a controlling stake of the shipping line.

"Currently, Temasek has no intention to make any major changes relating to the businesses of Neptune," she said.

Container companies have made record profits this year as demand for vessels to ship Chinese exports have allowed freight lines to raise prices.

Temasek may be seeking control of Neptune Orient before takeovers in the industry that may increase the value of its holding, said Thomas Soederberg, a director of Tribini Capital, a ship finance consultancy in Hong Kong.

"Neptune Orient had a debt-to-equity ratio of something like 350 percent, by the end of the year it will probably be debt-free," Soederberg said. "The next way to make money out of liner shipping is economy of scale. The top 25 carriers will become 12 to 15 in the next few years."