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Pelikan to list unit in Frankfurt

Backdoor listing will help to raise at least RM491m for the company

by **Liew Jia Teng**
FD@bizedge.com

PETALING JAYA: Pelikan International Corp Bhd intends to inject its stationery business worth RM1.19 billion into its 70.9%-owned subsidiary HerlitzAktiengesellschaft (Herlitz), which is listed in Frankfurt.

The asset injection is expected to raise at least RM491.3 million (about €110 million) from private placement and offer for sale exercises. Part of the proceeds will be utilised to pare down the company's debts.

In a statement yesterday, Pelikan said the proposal entails the injection of key stationery subsidiaries in Germany, Belgium, Switzerland, Mexico, Japan and the Middle East, and its logistics warehouse in Berlin with a planned valuation of RM1.19 billion.

In return, Pelikan will receive 266 million new shares in Herlitz.

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Listing part of final stage of Pelikan's reorganisation

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The estimated market capitalisation post-listing is expected to be around RM1.5 billion.

"The listing is part of the final stage of Pelikan's reorganisation plan which was implemented in 2011, wherein the group had reorganised its subsidiaries via various reorganisation measures to streamline its business and divest non-core businesses and product lines," said Pelikan.

"The group now intends to streamline its key stationery business into one listed subgroup which is Herlitz while the remaining businesses are to be maintained under Pelikan and Pelikan Holding AG (PHAG)."

PHAG, listed on the SIX Swiss Exchange, is 96.45% owned by Pelikan.

In total, the injected assets generate a turnover of approximately RM808.4 million, representing 56.1% of Pelikan's turnover for financial year ended Dec 31, 2013 (FY13). The total net asset value of the injected assets as at Dec 31, 2013 was RM552.7 million.

Pelikan told Bursa Malaysia that the group would be able to unlock its asset value through the asset streamlining exercise, facilitating it to undertake the shares offering to raise funds.

It aims to further grow the stationery business through the development of new products, markets and marketing methods, as well as through brand building and the acquisition of new distribution companies.

Pelikan has also proposed a private placement of up to 50 million Herlitz shares at a minimum offer price of €1 (RM4.32) apiece, as well as the offer for sale of up to 60 million Herlitz shares, 30 million each by Pelikan and PHAG.

Out of the RM491.3 million to be raised, RM200 million will be spent on business development within 24 months while some RM126.26 million will be allocated for working capital. Another RM150 million will be used to repay bank borrowings within 12 months.

"As the group's business is seasonal, it is imperative that cyclical peaks are well funded so that the group can produce or procure sufficient supply to ensure consistent supply of goods to its customers and also to capture sales during the peak periods," said Pelikan.

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Loo says earnings performance was dragged down by writeoffs at Herlitz.

The proceeds allocated for repayment of borrowings will also result in the reduction of the group's current gearing level of 0.72 times to 0.36 times. The reduction in borrowings will result in an estimated interest savings of about RM9 million every year.

These corporate exercises are expected to be completed by the end of this year.

Pelikan has been loss-making in the past two financial years. In FY13, its net loss narrowed to RM5.49 million from RM60.46 million in the previous year. However, for the first quarter ended March 31, its net loss widened to RM11.19 million on revenue of RM321.57 million.

In an interview with *The Edge* weekly, Pelikan president and chief executive officer Loo Hooi Keat had pointed out that Pelikan's stationery business was profitable and that its earnings performance was dragged down by writeoffs at Herlitz, which it bought in 2010.

In addition, high overhead costs at its manufacturing plants, scattered around the world, have also eaten into the group's earnings.