

HD Australian regulator blocks Yancoal's USD 2.3 billion equity issue

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The Australian takeovers regulator has stopped Yancoal from raising up to USD 2.3 billion in securities, after minority shareholders objected, fearing this to be a backdoor strategy by China's Yanzhou Coal to gain near complete control of the loss-making coal mining firm.

Noble Group and Hong Kong hedge fund Senrigan Capital, who hold around 22% of Yancoal said that if they did not participate in the fundraising, Yanzhou would be able to raise its stake in Yancoal to more than 98% and take complete control of the company.

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Yancoal was seeking to raise the USD 2.3 billion by issuing convertible notes and use most of the money to repay debts owed to its 78% shareholder, Yanzhou Coal.

The Australian Takeovers Panel ruled, "Yanzhou can only convert any SCNs it holds to maintain (but not increase) the level of its voting power in Yancoal as at the date of the orders, unless it obtains approval from minority shareholders."

Yancoal had last month said that Yanzhou will extend a fresh USD 1.4 billion loan and subscribe to USD 1.8 billion rights offer of subordinated capital notes of the USD 2.3 billion fund raising and use the proceeds towards repaying existing loans to its major shareholder Yanzhou and improve the company's capital structure and gearing ratio.

Any remaining proceeds will be used to part fund Yancoal's exiting coal operations and further growth projects, including starting Stage II of its Moolarben Coal Complex JV

In addition to the fund raising, Bank of China and China Construction Bank will extend the repayment dates of their USD 2.6 billion loan for 3 years.

Since the notes will be treated as equity, some minority shareholders fear that Yanzhou is trying to take full control of the company through this debt-for-equity swap.

Mr Reinhold Schmidt CEO of Yancoal said that the recapitalisation is to strengthen the company's balance sheet, and to pursue future growth opportunities and not a fresh bid by Yanzhou to privatise the company.

Following its USD 2.1-billion acquisition of Gloucester Coal, Sydney-based Yancoal was listed at more than USD 1.34 on the ASX in June 2012, in what was Australia's largest listing since December 2010 (China's Yanzhou acquiring Australia's Gloucester Coal for USD 2.23 billion).

But the company has lost more than 85% of its value since its listing and is now trading as low as 16.5%, giving it a market cap of less than USD 160 million. It posted a loss of AUD 832 million last year on revenues of AUD 1.5 billion, and reported a post-tax loss of AUD 192.7 million in the 6 months to the end of June 2014 on revenues of AUD 655 million.

CO yaptyl : Yancoal Australia Limited | yankua : Yankuang (Group) Corp | ynzmn : Yanzhou Coal Mining Co Ltd

IN i111 : Coal Mining | i1 : Energy | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying | i112 : Coal Mining Support Activities

RE austr : Australia | china : China | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric :
BRICS Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz :
Developing Economies | easiaz : Eastern Asia

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