

HD Australian regulator blocks Yancoal's \$2.3 bn equity issue

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The Australian takeovers regulator has stopped Yancoal from raising up to \$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 Senrihan Capital, who hold around 22 per cent 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 per cent and take complete control of the company.

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Yancoal was seeking to raise the \$2.3-billion by issuing convertible notes and use most of the money to repay debts owed to its 78-per cent 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 \$1.4-billion loan and subscribe to \$1.8 billion rights offer of subordinated capital notes of the \$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. (See: Yanzhou Coal to inject \$2.8 bn in Australian subsidiary Yancoal (/industry/power/20141111_yanzhou_coal.html))

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 joint venture.

In addition to the fund raising, Bank of China and China Construction Bank will extend the repayment dates of their \$2.6 billion loan for three 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.

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.

Last year, Chinese state-backed Yanzhou offered to privatise Yancoal by acquiring the 22-per cent stake it does not already own in the company, just a year after its listing in June 2012. (Chinese miner Yanzhou Coal offers to privatise Australia's Yancoal (/management/m_/20130709_australia.html))

But the bid was blocked by Noble Group, which said that it would not support the takeover.

Following its \$2.1-billion acquisition of Gloucester Coal, Sydney-based Yancoal was listed at more than \$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 \$2.23 bn (/industry/Mining/20111223_gloucester_coal.html)).

But the company has lost more than 85-per cent of its value since its listing and is now trading as low as 16.5 cents, giving it a market cap of less than \$160 million.

It posted a loss of A\$832 million last year on revenues of A\$1.5 billion, and reported a post-tax loss of A\$192.7 million in the six months to the end of June 2014 on revenues of A\$655 million.

With heavy investments over the past 10 years by coal miners, the industry has been going through a prolonged slump because of oversupply.

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

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IPD minority shareholders

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