Top car insurer said to seek US$800m sale

Owners of AmGeneral are exploring such a deal

BY ELFFIE CHEW, JONATHAN BROWNING & BRETT FOLEY

KUALA LUMPUR/HONG KONG/MELBOURNE: Owners of AmGeneral Insurance Bhd, Malaysia's top auto insurer, are exploring a potential sale that could value the company at about US$800 million (RM3.28 billion), according to people with knowledge of the matter.

Kuala Lumpur-listed AMMB Holdings Bhd, which owns 51% of the insurer, picked JPMorgan Chase & Co to advise on a possible deal, said the people, who asked not to be identified because the process is private. Insurance Australia Group Ltd (IAG), owner of the remaining stake, is working with Deutsche Bank AG, the people said.

Overseas firms including Prudential plc and Japan's Tokio Marine Holdings Inc have been seeking to cut stakes in their Malaysian insurance units, as the central bank seeks to encourage more local investment in the industry. Insurance companies have been involved in US$3.8 billion of acquisitions in Southeast Asia this year, a nearly sevenfold increase from the same period in 2016, data compiled by Bloomberg show.

AMMB and IAG have not yet sought Malaysian central bank approval to begin negotiations with potential buyers, according to one of the people. Deliberations on a sale of AmGeneral are at an early stage, and they may not result in a deal, the people said.

Representative for AMMB, Deutsche Bank and JPMorgan declined to comment.

A spokesman for IAG referred *Bloomberg* queries to comments made by the company's chief executive officer (CEO) last month and declined to comment further. CEO Peter Harmer had said at the firm's Oct 19 annual general meeting that IAG hadn't been able to find the right circumstances to boost its investments in markets, including Malaysia.

AmGeneral is the biggest auto insurer in Malaysia with a market share of 15.8%, AMMB's annual report shows. It ranks second in the overall Malaysian general insurance market based on net premiums in 2016.

The company has more than four million policyholders and a network of 7,000 agents and dealers marketing products under the AmAssurance and Kurnia brands. AmGeneral underwrote RM1.6 billion of gross premiums and earned RM190.8 million in net income in the financial year ended March, according to the insurer's annual results. — *Bloomberg*

Our customers to benefit from new procurement hub — Nestle Malaysia

BY TAN XUE YING

PHOTO BY PATRICK GOH

KUALA LUMPUR: Nestle (M) Bhd (Nestle Malaysia) says its consumers stand to benefit from Nestle SA's newly launched global procurement hub here in Malaysia, as required ingredients, packaging materials, and services can be sourced globally at best prices.

Yesterday, Nestle launched its global procurement hub in Malaysia — known as Nestrade — to meet the needs of the group's operations in over 100 countries across the world. It is one of Nestle's three global procurement hubs, besides those in Switzerland and Panama.

The establishment of these hubs are for the provision of a wide-range of services, including the management of global procurement for specific raw materials like cocoa and coffee, packaging materials, services, and other procurement-related support for all its markets.

"We are very delighted to have the [hub] here. At Nestle Malaysia, we are participating in the success of this hub," Nestle Malaysia chief executive officer Alois Hofbauer told reporters at the launch yesterday.

"We are getting great quality raw and packaging materials at the very best prices, and we can pass this on to Malaysian consumers — that is its real benefit," he added.

Nestle, the world's largest food and beverage company with a presence in 189 countries around the world, operates under Nestle Malaysia here.

Prior to this, the Nestle Group was not able to benefit from the size of its group, as its procurement activities were previously decentralised and undertaken individually by every operating company, said executive vice-president and head of operations of Nestle, Dr Magdi Batato.

As such, the new hub will allow for more strategic and cost-efficient procurement activities for the group, he said.

"This project was driven by making better use of our scale and size, and finding the necessary synergies to standardise better and reduce waste from scattered procurements. It was not driven by tax incentives," Batato said.

Batato added that Malaysia stood out as a strategic location to host its hub here, primarily because of its good infrastructure, investor-friendliness, and talent pool.

Second Minister of International Trade and Industry Datuk Seri Ong Ka Chuan — who was present to officiate the launch — said Nestle's choice to locate the new procurement hub here is a good reflection of the country's potential.

In the last five years, Nestle Malaysia has invested over RM1.1 billion in Malaysia. It has eight factories in Malaysia and is the largest halal producer in the Nestle Group, exporting over 500 products to more than 50 countries.

Correction

IN the article titled "MSM 3Q earnings fall 55% y-o-y on higher cost, weaker ringgit" published yesterday, it should be noted that MSM is not controlled by tycoon Tan Sri Syed Mokhtar Albukhary, and not as stated. The error is regretted.

RESULTS IN BRIEF

HSL's 3Q earnings 32% lower on weaker construction margin

BY SUPRIYA SURENDRAN

KUALA LUMPUR: Sarawak-based marine engineering and infrastructure specialist Hock Seng Lee Bhd (HSL) reported a 32% year-on-year (y-o-y) decline in net profit in its third financial quarter ended Sept 30, 2017 (3QFY17) to RM11.06 million from RM16.34 million, as its construction segment reported lower revenue and profit margin.

Quarterly revenue dropped 7% y-o-y to RM126.33 million from RM136.03 million, due to timing of the progress claims as major contract works were at their initial stages of execution, its Bursa Malaysia filing yesterday showed.

Construction made up 78% of the group's revenue, while property developement made up the remainder 22%.

For the first nine months of FY17 (9MFY17) HSL's net profit fell 29% y-o-y to RM31.86 million from RM44.68 million, while revenue declined 12% to RM337.9 million from RM385.34 million.

It completed RM287 million worth of projects in 9MFY17.

In a statement, HSL said it had RM2.7 billion worth of works unbilled as at Sept 30, having added some RM586 million in new projects over the 9MFY17 period. This, it said, gives it half a billion ringgit more in outstanding revenue compared with the end of 9MFY16.

HSL managing director Datuk Paul Yu Chee Hoe said the group has had a good quarter in terms of procurement and productivity.

Group net profit before tax for the current quarter reached RM15.11 million, up 18% from RM12.78 million in 2QFY17.

Matrix Concept's 2Q earnings strengthen on higher profit margin

BY WONG EE LIN

KUALA LUMPUR: Township developer Matrix Concepts Holdings Bhd's net profit rose 12% year-on-year (y-o-y) in the second quarter ended Sept 30, 2017 (2QFY18) to RM51.83 million from RM46.47 million, on higher gross profit margin.

Matrix Concepts said this was due to increased sales of higher-premium residential properties as the group's townships, Bandar Sri Sendayan in Seremban, Negeri Sembilan and Bandar Seri Impian in Kluang, Johor, continue to grow in vibrancy and appeal to home purchasers.

In its Bursa Malaysia filing, the group also declared a second interim dividend of 3.25 sen per share in FY18, payable on Jan 10, 2018.

Quarterly revenue, however, fell 10% y-o-y to RM202.9 million from RM224.85 million, mainly due to slower revenue recognition for the group's industrial developments.

For the first six months of FY18, net profit slipped 1% y-o-y to RM97.38 million from RM98.39 million, while revenue fell 11% to RM375.75 million from RM421.08 million.

As at Sept 30, the group's total undeveloped land bank was at 1,600 acres (647.5ha), while unbilled sales grew to a new height of RM1.1 billion — to be recognised over the next two years — from RM765.3 million a year ago.

"Moving forward, plans are underway to deliver constant launches to sustain our profitability, and to target more buyers from this region (the Greater Klang Valley)," said its chairman Datuk Mohamad Haslah Mohamad Amin in a separate statement.

Kian Joo's 3Q net profit slumps 81% on rising input costs

BY SANGEETHA AMARTHALINGAM

KUALA LUMPUR: Kian Joo Can Factory Bhd's net profit fell 81% year-on-year (y-o-y) to RM9.49 million in its third quarter ended Sept 30, 2017 (3QFY17) from RM50.84 million as input costs, especially tin plate, aluminium and paper roll costs, escalated.

Kian Joo said gross profit was lower due to higher write-off and write-down of inventories during the quarter. This led to lower profit before tax, which was also weighed by a RM100,000 unrealised loss on hedging instruments, and foreign currency exchange loss of RM3.5 million. In contrast, it booked an unrealised gain on the hedging instruments of RM2.8 million and a forex gain of RM6.6 million last year.

Quarterly revenue climbed 12% to RM471.93 million versus RM421.45 million.

For the cumulative nine months ended Sept 30, 2017, net profit fell 58% y-o-y to RM43.06 million from RM102.2 million, though revenue rose 4% to RM1.34 billion from RM1.29 billion, on stronger demand from new and existing customers as well as adjustment in selling price to reflect higher material cost.

Kian Joo is negotiating with its customers to absorb part of the cost increase, besides emphasising on growing its subsidiaries' operations in other countries to expand its overseas market.