FinanceAsia.com
Asia's leading financial markets website

Print Close

EQUITY NEWS

Noble Group investor exits the company

By Anette Jönsson, | 23 May 2007

Read this article online at:
http://www.financeasia.com/article.aspx?CIID=81755

A week after Noble Group issues a convertible bond, shareholder Tiger Rock raises $229 million from the sale of its 9.4% stake in the Singapore-listed commodities company.

An institutional shareholder last night sold its entire 9.4% stake in Noble Group through a placement that was priced at the bottom end of the indicative range for a total deal size of S$349.3 million ($229 million).

The seller offered 234.4 million secondary shares at a price between S$1.49 and S$1.54, which represents a discount of 7% to 10% to Tuesday's close of S$1.65. The bottom-end pricing left that discount at the maximum. Cazenove Asia and JPMorgan were joint bookrunners for the sale.

The transaction comes just one week after the Singapore-listed supplier of raw materials and commodities sold $200 million of convertible bonds with the highest conversion premium ever for an Asian CB outside of India. So the placement is bound to cause some confusion about the upside potential in the stock.

This is especially true since the seller Tiger Rock, which is related to private equity group UCL Asia, was a long-time shareholder of Noble.

According to a source, Tiger Rock's exit from the company is not an isolated event, however, but comes as it is winding up one of its funds. Consequently, its decision to sell now had more to do with the fact that last week's CB had focused the market's attention on Noble than its views about the company's future growth.

Still, investors who bought the CB last week are probably not too happy with this transaction as the deep placement discount makes it highly likely that the share price will fall today, putting downward pressure on the bonds and resulting in a widening of the effective conversion premium. Since the sale of the CBs on May 15, the share price has hovered around the S$1.69 closing price on that day and yesterday it closed down four cents at S$1.65.

On the positive side, the release of this big stake, which has previously been in the hands of a long-term shareholder, will help to boost the liquidity in the stock. Noble's free-float will increase to about 47% of the total issued share capital following the deal.

And the placement did attract solid interest, albeit with a fair amount of price sensitivity. The demand came both from existing shareholders and some new investors who took up quite big positions. Given the final 10% discount, there was also not surprisingly good interest from momentum funds and according to sources, the order book was about two times covered.

"The pricing certainly helped as it took the stock back to a level where it hasn't traded since early April and effectively gave investors a chance to buy in after removing half the gains since early March," notes one observer.

Yesterday's close of S$1.65 is only 12 Singapore cents below the all-time high close of S$1.77, which was reached on May 7, and translates into a 50% gain year to date. This compares with a 16% gain in the Singapore benchmark index.

The gains have been driven by a pickup in sales as demand for all sorts of commodities - from metals and energy to food products like wheat, corn and soybeans - continues to increase in China and India.

In an attempt to secure a steady supply of raw materials that will allow it to boost its share of the global trading of these products, Noble has also been diversifying upstream through the acquisition of various assets, including soybean crushing plants in China and a sugar and ethanol mill in Brazil. While the money raised from the CB was to be used to refinance debt – including an existing convertible bond that is out-of-the money – analysts generally believe that such acquisitions will continue to support the earnings.

Two weeks ago, Noble reported a 25% rise in its first quarter net profit on the back of a 22% increase in sales volumes.

Last week's convertible bond, which was arranged by Citi and JPMorgan, had a fixed conversion premium of 65%, while the yield was priced at the top of a 5.4% to 5.9% range. The zero-coupon bonds have a seven-year maturity, but can be put back to the company on the fourth anniversary. They include a greenshoe of $50 million that could boost total proceeds to $250 million.

Print Close