

DATE

May 13, 2022

SECTORS

Industrials

DEAL TYPE

M&A Advisory

DEAL LOCATIONS



DEAL TEAM



Yong Sin Lin

Managing Director

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DC Advisory advised SCGM Berhad on its sale of Lee Soon Seng Plastic Industries to Mitsui & Co. and FP Corporation



MITSUI & CO.



Background

- Founded in 1984 and subsequently listed under the holding company SCGM Berhad (SCGM), Lee Soon Seng Plastic Industries (LSSPI) is the leading manufacturer of thermoform plastic packaging products for the food & beverage industry in Malaysia. It also produces packaging products for the electronic and healthcare industries
- LSSPI operates vertically integrated zero-waste manufacturing involving extrusion and thermoforming of recyclable plastics. Its products are sold, mostly under the brand of 'Benxon', to local and export markets
- Mitsui & Co. (Mitsui) - listed on Tokyo Stock Exchange in 1949 - is a global trading and investment company with a diversified business portfolio that spans 63 countries globally. Its core business portfolio covers the mineral and metal resources, energy, machinery and infrastructure, and chemicals industries
- FP Corporation (FPCO) - listed on the Tokyo Stock Exchange in 2000 - is principally involved in the manufacturing and marketing of disposable food containers made of polystyrene and other compound resins, as well as marketing of related packaging materials in Japan

Process

- DC Advisory (DC) was engaged by SCGM to explore strategic options for LSSPI with a view to maximise value for its shareholders
- Navigating the global pandemic, DC orchestrated a competitive and discreet process with investor outreach to relevant strategic players in different parts of the world and financial sponsors
- DC was able to innovate and improvise to overcome challenges in the process and found a distinct combination of two reputable strategic players to takeover LSSPI
- The deal team also included support from parent company, Daiwa Securities in Japan

Outcome

- In May 2022, SCGM entered into a share sale agreement to sell its 100% equity interest in LSSPI to Mitsui and FPCO for MYR 544M (~USD 124M), which based on publicly available information, implies:
 - 10.9x EV/EBITDA LTM
 - 18.1x P/E LTM
- LSSPI will endeavour to capitalise on Mitsui's network of investees and partners across Southeast Asia to expand sales, and FPCO's expertise in production efficiency and production development technologies to develop eco-friendly products that will meet evolving market needs
- This transaction further demonstrates DC's unparalleled expertise in cross-border transactions and extensive global network, leveraging both to deliver the best outcome for our client
- The transaction is expected to close by August 2022 – subject to customary closing conditions, SCGM shareholder approval and regulatory approvals - with Mitsui and FPCO owning 60% and 40% equity interest in LSSPI respectively