

DGAP-News: Octavian Advisors: Octavian calls for Extraordinary General Meeting at Balda AG to replace the current Supervisory Board

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Press Release

Octavian calls for Extraordinary General Meeting at Balda AG to replace the current Supervisory Board

- Serious concerns about the independence of Balda AG's Supervisory Board
- Due to apparent conflict of interest, Octavian believes that Supervisory Board has repeatedly acted against the best interest of Balda and its shareholders
- Octavian aims to elect a Supervisory Board free of conflicts that will contribute to unlocking Balda's value

New York, December 12th 2011 - Octavian Advisors LP, which, through various funds, owns approximately 8.3% of the outstanding shares of Balda AG (Balda'), announced today that it has filed a request for an Extraordinary General Meeting with the Management Board of Balda, with the aim of replacing the current Supervisory Board.

'This board has cost shareholders EUR 350 million. It is apparent that, due to a conflict of interest, Balda's Supervisory Board has not acted in the best interest of Balda and its shareholders. It appears that Supervisory Board decisions benefited individuals rather than the company and all of its shareholders. This view is also widely shared among analysts and other members of the financial community that follow the company.' said Richard Hurowitz, Chairman and Chief Executive Officer of Octavian.

Two of the three members of the Supervisory Board, Mr. Yu-Sheng Kai and Mr. Chun-Chen Chen, are closely related to Balda's biggest single shareholder, Michael Chiang, as both are employed in companies that are part of Chiang's group. In addition, both were nominated by Michael Chiang's investment firm Yield Return Investment.

Michael Chiang holds a 27.6% stake in Balda worth approximately EUR 50 Million through Yield Return Investment. The conflict of interest arises as he is also co-founder and Chairman of TPK Holding Co., Ltd ('TPK'), in which he and his wife hold a 25% stake worth approximately EUR 500 Million. As a remnant of an earlier joint venture, Balda in turn holds a 16.1% stake in TPK. At current market levels, this 16.1% stake alone is worth approximately 1.7 times Balda's market capitalisation.

Several decisions made by the Supervisory Board have been to the significant detriment of Balda and its general shareholders, with the exception of Mr and Mrs Chiang and TPK, who have benefited from them.

One recent example of this conflict of interest is the management's announcement, at the AGM in May 2011 and in the presence of the Supervisory Board, that the stake in TPK was considered non-core and would be sold by the end of October 2011 at the latest after the lock-up period expired. However, by never approving such sale, the Supervisory Board indirectly blocked this move. As a result, Balda shareholders were deprived of EUR 350 Million in value by the decrease of the TPK share price. At the time, the TPK stake was worth four times Balda's current market capitalization.

The fact that the Supervisory Board agreed instead to extend the lock-up period for the TPK stake, with no benefit to Balda, at a time when the stake had more than EUR 790 million in value, is another example of this conflict. The extension solely helped Mr and Mrs Chiang and the other TPK shareholders to raise capital in April 2011.

Furthermore, in October 2008 Balda sold a 12% stake in TPK to Michael Chiang. While the exact terms were not disclosed, it appears that the shares were sold for not more than 20 Taiwanese Dollar (TWD) per share. When TPK went public two years later, the offer price was at TWD 220 and the shares closed at TWD 480 on the first day of trading and hence at a significantly higher price than the price paid by Michael Chiang.

'In my view, circumstances indicate that Balda's Supervisory Board has clearly acted in favour of Mr and Mrs Chiang and other investors in TPK, rather than in the best interest of Balda and all its shareholders. As the Supervisory Board is likely to continue acting against the best interest of the Company, it is imperative that its members are replaced as soon as possible.' said Igor Kuzniar, Managing Director at Octavian.

In order to improve governance at the Supervisory Board level, Octavian seeks to replace the current Supervisory board and will nominate the following managers to be elected at the Extraordinary General Meeting:

- René Charles Jäggi (Nomination as Chairman); has more than 35 years of management experience, currently as the Chairman of publicly listed Röder Zeltsysteme & Service AG in Bidingen. He is also Delegate of the Board of publicly listed Open-Limit SignCubes AG in Baar as well as Member of the Board of MCH Messe Schweiz AG in Basel. Before that, Mr. Jäggi was CEO of Adidas (1986-1992).
- Behdad Alizadeh, Partner of Pardus Capital Management; has more than 20 years of experience in the financial services industry on both sides of the Atlantic and possesses significant international board experience. Mr. Alizadeh served on the boards of Atos and Valeo from 2008 to 2010 and was instrumental in reforming corporate governance at both companies.
- Igor Kuzniar, Managing Director of Octavian Advisors LP; has more than 10 years of experience in corporate finance, strategy and investment management. The former McKinsey consultant holds an MBA from Harvard Business School.

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