Aramco to offer 1.5% of its equity in IPO

The bookbuilding process for Saudi Arabian Oil Co’s (“Aramco”) high-profile IPO closed on Dec. 4, with an expected offer price of between USD 8.00 and USD 8.53 per share and implied valuation of between USD 1.6 trillion and USD 1.7 trillion. While Aramco’s financial advisors recently noted that the institutional portion of the offer had been twice oversubscribed, the IPO is noteworthy for the relatively small portion of the company on offer (1.5% of capital) and foreign investor participation (10.5% of offers as of Nov. 28). Similarly, both the size of the IPO and implied valuation of Aramco fell short of prior announcements, which had suggested an offer of 3% of capital at an implied valuation of over USD 2.0 trillion. Aramco will nevertheless technically rank as the world’s largest listed company by valuation. The reduced offer size coincided with a curtailing of plans to market the IPO to Western markets. Aramco’s post-IPO board will consist of 11 members, of which five will be nominally independent and six will be state shareholder nominees. CEO Amin Nasser will be the sole executive director on the board. The CEO will, provided that he does not also hold the chairmanship, hold a permanent board seat not subject to a shareholder vote.

Bidding war for Just Eat PLC faces setback

On November 28, 2019, UK food delivery service Just Eat PLC called off its December 4 EGM and announced that its combination with Amsterdam-based firm Takeaway will be voted upon in January 2020. The postponement occurred due to the conversion of the latter’s takeover bid from a scheme of arrangement to a formal offer, in order to “provide additional deal certainty” and deter rival bidder Prosus NV.

The initial deal would have required the approval of 75% of the votes cast by both Takeaway and Just Eat shareholders, whereas the revamped offer requires only the latter’s approval. Moreover, contingent on regulatory approval, the 75% threshold may be lowered to 50% plus one vote. Speculation has emerged that the simmering bidding war could end up being settled by an auction.

Former Braskem CEO arrested on bribery charges

The former CEO of Brazil’s largest petrochemicals company Braskem SA, Jose Carlos Grubisich, has been arrested over his alleged role in a 12-year scheme to divert USD 250 million in company money to a fund used to “pay bribes to government officials, political parties and others in Brazil to obtain and retain business.”

The fraud was allegedly carried out between 2002 and 2014 by Grubisich and other executives of Braskem and its parent company, Odebrecht SA. Braskem is embroiled in the Lava Jato (“Car Wash”) scandal – widely considered one the largest bribery cases in history – which sent Odebrecht into bankruptcy protection in an effort to restructure over USD 25 billion in debt.

South Korean state pension fund adopts new SRI guidelines

South Korea’s Ministry of Health and Welfare released its proposed guidelines to strengthen the responsible investment practices of the country’s National Pension Service (“NPS”), the world’s third-largest pension fund. The proposal sets forth procedures governing the fund’s exercise of its shareholder rights, which include submitting proposals to amend the articles of association and appointing directors.

The development occurs after the NPS was instrumental in removing the late Cho Yang-ho from Korean Air Lines’ board, as well as in fending off Elliot Management’s attempt to install new board members and boost dividends at carmaker Hyundai – both occurring in March 2019. As the country faces scrutiny over a perceived lack of progress in reforming its chaebols, the NPS is under pressure to reform.

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