

# S Korea to combine world's 2 biggest shipbuilders



Reuters/Seoul

Hyundai Heavy Industries, the world's biggest shipbuilding group, has announced a share swap deal worth 2.1tn won (\$1.98bn) to take over second-ranked Daewoo and create a global heavyweight controlling over 20% of the market.

The move comes as the worldwide shipbuilding sector recovers from a global economic downturn that led to massive losses, widespread job cuts and, in 2017, the \$2.6bn bailout of South Korea's Daewoo Shipbuilding & Marine Engineering Co Ltd.

State-funded Korea Development Bank (KDB) owns 55.7% of Daewoo, and has said it intends to sell the stake and consolidate the country's three biggest shipbuilders – which includes Samsung Heavy Industries Co Ltd – into two.

The combination of two of the giant shipbuilders would ease competition and excess capacity, which have depressed ship prices, KDB chairman Lee Dong-gull said at a news conference.

The deal will “raise the fundamental competitiveness of Daewoo, at a time when the threat from latecomers in China and

Singapore is growing," Lee said yesterday.

Hyundai and Daewoo hold a combined market share of 21.2%, followed by Japan's Imabari Shipbuilding with a 6.6%, showed data from Clarksons Research.

Lee said it will take several months to gain approval from antitrust regulators from related countries. He said the size of the resulting entity's market share would not be detrimental to the interests of customers.

Daewoo will also receive liquidity support of 2.5tn won (\$2.25bn) from KDB and Hyundai, Hyundai said in a stock exchange filing.

KDB also said it would approach Samsung Heavy to gauge any interest in taking over Daewoo. A Samsung Heavy spokesman said it has received a proposal from KDB and that it needs to review the matter.

Daewoo shares rose as much as 22% yesterday, before ending up 2.5%.

Those of Hyundai Heavy Industries Holdings Co Ltd and unit Hyundai Heavy Industries Co Ltd fell about 4% on concern about a high purchase price, analysts said. Meanwhile, Samsung Heavy shares ended up 2.5%, as investor concerns of it bidding for Daewoo eased. "Consolidation is good for the industry, but not for the company which buys the stake," said analyst Um Kyung-a at Shinyoung Securities, citing overlapping businesses between Hyundai and Daewoo.

The shipbuilding industry accounts for 7% of both exports and employment in Asia's fourth-biggest economy. Hyundai Heavy's workers' union said it will delay a vote on last year's wage deal in protest of a purchase it says could threaten job security.

It said it would be "angered" if the shipbuilder ploughed money into buying another big firm having released workers after reporting losses and shrinking orders. KDB's Lee ruled out any job cuts after the combination.

Hyundai's holding company is set to raise funds for acquisitions through the sale of part of its stake in refiner Hyundai Oilbank Co Ltd to Saudi Aramco for up to 1.8tn won.