

S. Korea's LG to raise \$884 mln in rights issue

November 3 2011

LG Electronics, the world's third-largest handset maker, said Thursday it would raise about one trillion won (\$884 million) through a rights offer to strengthen its troubled smartphone business.

The company said its board has approved a plan to issue 19 million new common shares, which will be listed on the bourse on January 9.

"The rights offer is intended to secure stable financial resources for investment to strengthen our key business," it said in a statement.

LG, the world's second biggest liquid crystal display TV maker after Samsung Electronics, said some of the proceeds would be funnelled into its smartphone business.

The company is battling to turn around its loss-making handset operations, where it lags Samsung and Apple in offering high-end smartphones packed with features.

Last week it reported a net loss of 414 billion won in the third quarter.

International credit rating agencies have downgraded their outlook on LG. Standard and Poor's last month cut its long-term corporate credit rating on LG Electronics by one notch, citing weak profitability.

Moody's lowered its outlook on the firm's Baa2 issuer and senior unsecured debt ratings to negative from stable.

On Tuesday Fitch lowered its outlook on LG to negative from stable, citing weak operating results and expectations of poor demand in key US and European markets.

Shares of LG-related shares tumbled amid speculation about the rights offer. LG Electronics nosedived 13.7 percent to 61,600 won and its flat-panel affiliate LG Display fell 6.3 percent to 21,500 won.

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