

Corporate maneuver at Samsung strengthens heir's influence

May 26 2015, by Youkyung Lee



In this July 13, 2012 file photo, Samsung Electronics Co. Chief Operating Officer Lee Jae-yong arrives at the Allen and Company Sun Valley Conference in Sun Valley, Idaho. Two key Samsung companies are merging in a step toward ensuring the son of the group's ailing chairman inherits control of the theme parks to smartphones conglomerate. Samsung said Tuesday, May 26, 2015, that its defacto holding company Cheil Industries Inc. will acquire Samsung C&T Corp. by offering 0.35 new Cheil shares for every Samsung C&T share. Analysts

say the transaction will give Samsung heir Lee Jae-yong a big say in the conglomerate including its crown jewel Samsung Electronics Co. (AP Photo/Paul Sakuma, File)

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Samsung said Tuesday that its defacto holding company Cheil Industries Inc. will acquire Samsung C&T Corp. by offering 0.35 new Cheil shares for every Samsung C&T share.

The move, to be completed by Sept. 1, requires shareholder approval, which is expected. The combined entity will be named Samsung C&T.

Analysts say the transaction will give Samsung heir Lee Jae-yong a big say in the conglomerate including its crown jewel Samsung Electronics Co.

"Samsung Electronics is at the core of this event," said Park Ju-gun, president at CEOScore, a private corporate watchdog. "If Lee Jae-yong controls C&T, he can secure control over Samsung Electronics."

The corporate maneuvering reflects that the Lee family's influence over Samsung Electronics through a life insurance company was at risk as the South Korean parliament is set to pass a law that restricts finance companies from controlling non-finance companies.

Lee, his father Lee Kun-hee and other family members have a small direct stake in Samsung Electronics but have been able to exert influence through cross shareholdings in affiliated companies, the most significant

of which was Samsung Life Insurance. Altogether, they control about 29 percent of Samsung Electronics shares, which is the largest voting bloc.



Office workers walk by a logo of Samsung C&T Corp. at its head office in Seoul, South Korea, Tuesday, May 26, 2015. Two key Samsung companies are merging in a step toward giving the son of the group's ailing chairman control of the theme parks to smartphones conglomerate. Samsung says its defacto holding company Cheil Industries Inc. will acquire Samsung C&T Corp. by offering 0.35 new Cheil shares for every Samsung C&T share. (AP Photo/Lee Jin-man)

Lee Kun-hee, 73, who remains chairman at Samsung Electronics, has been hospitalized for more than a year after suffering a heart attack in May, 2014. Lee Jae-yong earlier this month took over his father's roles in two Samsung charitable foundations.

The Lee family will likely take additional steps to enlarge C&T's stake Samsung Electronics as a lynchpin of the cross shareholdings, said Park.

It currently owns 4.1 percent of the electronics giant.

Lee, who is vice chairman at Samsung Electronics, will own 16.5 percent of the new C&T and be its largest shareholder. The Lee family's direct stake in the combined entity, including that of Lee's father and his sisters, will become 30.4 percent. Samsung's affiliated companies will own another 8.8 percent, giving the family nearly a 40 percent stake overall in C&T.



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Samsung said the merger of Cheil, which is Samsung's fashion business and theme park operator, with the C&T construction and trading firm, will create a global lifestyle and biotechnology company.

Shares of Cheil and C&T jumped by the daily limit of 15 percent after the announcement.



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The sign of Cheil Industries Inc., right, is seen on the top of the building in Seoul, South Korea, Tuesday, May 26, 2015. Two key Samsung companies are merging in a step toward giving the son of the group's ailing chairman control of the theme parks to smartphones conglomerate. Samsung says its defacto holding company Cheil Industries Inc. will acquire Samsung C&T Corp. by offering 0.35 new Cheil shares for every Samsung C&T share. (AP Photo/Lee Jin-man)

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Citation: Corporate maneuver at Samsung strengthens heir's influence (2015, May 26) retrieved 7 May 2024 from <https://phys.org/news/2015-05-corporate-maneuver-samsung-heir.html>

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