

HMM likely to be sold to Harim-JKL in US\$4.9 billion deal

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South Korean poultry processor and Pan Ocean owner Harim Group and its consortium member, private equity firm JKL Partners, were chosen as the preferred bidder to acquire the country's flagship carrier HMM on 18 December.

HMM's main shareholders, state-controlled institutions Korea Development Bank and Korea Ocean Business Corporation, announced their choice after nearly a month of assessment, after Harim-JKL and Dongwon LOEX, the logistics unit of fishing chaebol Dongwon group, made their bids on 23 November.

Both Harim-JKL and Dongwon LOEX each offered about KRW6.3 trillion (approximately US\$6 billion) for HMM. Including convertible bonds, the stakes held by KDB and KOBC amount to a potential 57.9%.

It is believed that Harim's higher cash holdings, amounting to almost US\$1 billion, and its track record in turning around Pan Ocean, South Korea's largest dry bulk shipping company, gave it an edge.

In 2015, Harim had also worked with JKL to acquire the then STX Pan Ocean from KDB for US\$900 million. Like HMM, Pan Ocean (which dropped the STX name after the takeover) came under KDB's control after a debt-for-equity swap.

Taking ownership of Pan Ocean propelled Harim into the position of a comprehensive logistics company, giving it the nickname of "South Korea's Cargill".

Harim, now ranked 17th in South Korea's financial rankings with KRW17 trillion (US\$13 billion) in assets, will rise to 13th place if it succeeds in acquiring HMM, which will take its assets to KRW42.8 trillion (US\$33 billion).

HMM has more assets than its suitors, prompting protests and objections from its staff and the Federation of Korean Seafarers' Union regarding its sale.

KDB, is however, determined to wean HMM off its care, as with Pan Ocean and all other previous debtors.

KDB said. "We plan to complete the transaction in the first half of next year after negotiating the sales contract."

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