

Hermes does not need to buy up shares

PARIS, FRANCE: The French markets regulator said on Thursday, 6 January 2011, the family controlling luxury goods house Hermes would not have to buy up the outstanding shares in the company as they fight off the embrace of giant rival LVMH.

Restructuring

Global luxury retailer LVMH early last month increased its stake in Hermes to more than 20%, prompting the descendants of founder Thierry Hermes to set up a holding company structure to thwart any eventual LVMH takeover.

In changing the group structure, however, the family members, who collectively hold more than 73% of Hermes, had laid themselves open to the obligation to buy out all minority shareholders.

On Thursday, the AMF markets regulator said it had decided not to enforce this requirement, adding it would provide further details on its finding shortly.

Hermes welcomed the decision, saying it would clear the way for formation of the holding company "which is unanimously wanted by the family to preserve the culture of Hermes."

The holding company is intended to control more than 50% of Hermes and so block a hostile takeover but under French rules, any shareholder acquiring more than 33% of a listed company must offer to buy the other shares.

LVMH declined to comment on the ruling.

Minority to appeal

Meanwhile, the head of a group representing minority shareholders, Colette Neuville, said she would lodge an appeal against the AMF ruling.

"From the point of view of the rights of minority shareholders, the year has begun badly but we are going to defend our interests," Neuville said.

Minority shareholders can benefit from a contested takeover as the bidder or bidders will likely increase the price paid in order to overcome the target company's opposition.

In afternoon trade, Hermes shares slumped 2.75% while LVMH was up 2.56%.

Not seeking control

LVMH said in December when it hiked its Hermes stake to 20.2% that it would continue to buy more shares as appropriate but it did not seek control of the company and nor would it make a public offer.

The group, owned by French billionaire Bernard Arnault, said the investment in Hermes was "strategic and long-term."

LVMH, the world's leading luxury group, controls brands such as Louis Vuitton, Givenchy, Dom Perignon and Dior.

Source: AFP

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