

Headline	Listing unlisted GLCs will improve operations — fund managers		
MediaTitle	The Edge Financial Daily		
Date	20 Mar 2019	Language	English
Circulation	4,549	Readership	13,647
Section	Home Business	Page No	4,5
ArticleSize	398 cm <sup>2</sup>	Journalist	Ahmad Naqib Idris
PR Value	RM 13,088		



## Listing unlisted GLCs will improve operations — fund managers

BY AHMAD NAQIB IDRIS  
& CHESTER TAY

KUALALUMPUR: The government's plan to list some of its matured unlisted entities is a good move albeit not a surprising one, which could drive these government-linked companies (GLCs) to operate more efficiently once they are put under public scrutiny, said fund managers.

Moody's Investors Service analyst Anushka Shah said the divestment of GLCs is not a new initiative, pointing out that it was the cornerstone of the 10-year GLC Transformation Programme which was concluded in 2015.

"Listing GLCs may bring some benefits in terms of greater transparency and disclosure standards, achieving a greater balance be-

tween the public and private sectors, and better governance," she told *The Edge Financial Daily*.

Anushka, however, pointed out that asset divestments generally lack predictability.

Speaking at the two-day Invest Malaysia conference yesterday, Prime Minister Tun Dr Mahathir Mohamad said Malaysia's matured unlisted government entities may be listed on the stock market, with the government also looking into some of its shareholdings in GLCs, indicating that it may cut its stakes in certain listed companies.

He said this is to ensure greater risk control parameters for issuances of government guarantees, better market access and identification of opportunities of potential asset monetisation, adding that GLCs will play

"certain catalytic roles to support the economy".

MIDF Research head of research Mohd Redza Abdul Rahman said corporatising GLCs could be a good move, seeing how Telekom Malaysia Bhd (TM) and Tenaga Nasional Bhd's (TNB) operations had transformed from their previous incarnations as Jabatan Telekom and Lembaga Letrik Negara respectively.

"Looking at TM and TNB, from just being government departments previously, they have grown leaps and bounds in playing an active role in the development of the telecommunications and power sectors.

"They [currently] finance their own capex (capital expenditure) needs without burdening the government's coffers while providing opportunities to many entrepre-

neurs to join as vendors and resellers," he said.

In terms of potential candidates that could see a listing, Phillip Capital Management Sdn Bhd chief investment officer Ang Kok Heng said there are many companies that could be candidates, based on the high number of companies under government-linked investment companies such as Khazanah Nasional Bhd and Permodalan Nasional Bhd.

He added that units of Petroleum Nasional Bhd (Petronas) could also be potential candidates.

However, Ang said, the GLCs that the government intends to list must be companies that investors are interested in, in order to get good value.

"It must be something that investors want. If it is just listings for the sake of listings, the government

will not get good valuation as people will not be interested to invest. The government has to see where the demand is in the market and then look at which companies it can list and sell at a good price," he said.

Astramina Advisory Sdn Bhd managing director Wong Muh Rong concurred that Petronas is a likely candidate, given that it is a world-class company with reputable governance, comparing it to Saudi Arabia's national oil and gas company Saudi Aramco which is also planning an initial public offering in 2021.

"The government does not need to let go of a substantial portion of its shareholdings as they can already raise a lot of funds just by monetising a 20% to 30% stake in Petronas.

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## 'Government could test the water with sale of smaller stakes'

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"Petronas is a good candidate. It is not difficult to sell and the government can get fairly good upfront money and use it to boost market activity," said Wong.

On the other hand, another fund manager, who declined to be named, said it is unlikely that an offer for Petronas would be on the table but noted that the government could start divesting its holdings in some of the relatively smaller companies first.

"I don't think the government will list Petronas as it is considered a strategic asset. They can still monetise [it] but maybe just a minority stake or a division under the group," said the fund manager.

He pointed to Lembaga Tabung Angkatan Tentera's portfolio which includes Affin Bank Bhd and Boustead Holdings Bhd, and said that the government could test the water with the sale of smaller stakes to see how the market reacts before touching the bigger investments.

Socio-Economic Research Centre executive director Lee Heng Guie said the investments that could potentially be disposed of depend on the government's definition of "matured assets".

"Based on Khazanah's new mandate, it seems to be referring to businesses that can already stand on their own feet, with decent price-to-book that no longer needs institutional funds as anchor investors.

"The companies that come to mind in terms of monetisation could be CIMB Group Holdings Bhd, TM and other companies in the utility and aviation sectors," he said.