

Headline	Flush with cash		
MediaTitle	Focus Malaysia		
Date	24 Sep 2016	Language	English
Circulation	20,000	Readership	60,000
Section	News	Page No	1,12,13
ArticleSize	1809 cm ²	Journalist	N/A
PR Value	RM 94,160		



Sitting on cash

Fifteen of the most cash-rich listed companies have a RM74.3 bil pile, up from RM65.9 bil two years ago. However, the debt levels of some could be worrying. **12-14** (Focus List)

Clockwise from top left:
 Genting Bhd chairman and CEO, Tan Sri Lim Kok Thay,
 YTL Corp Bhd managing director, Tan Sri Francis Yeoh Sock Ping,
 Malakoff Corp Bhd controlling shareholder, Tan Sri Syed Mokhtar Albukhary,
 Oriental Holdings Bhd executive chairman, Datuk Loh Kian Chong,
 IOI Properties Group Bhd executive chairman, Tan Sri Lee Shin Cheng

Headline	Flush with cash		
MediaTitle	Focus Malaysia		
Date	24 Sep 2016	Language	English
Circulation	20,000	Readership	60,000
Section	News	Page No	1,12,13
ArticleSize	1809 cm ²	Journalist	N/A
PR Value	RM 94,160		

THE FOCUS LIST

Flush with cash

If cash is king, then the companies on this month's Focus List are surely royalty. Based on research done by **FocusM**, these entities collectively hold RM74.3 bil in cash reserves making them the 15 most cash-rich on Bursa Malaysia.



by Stephanie Jacob

This is 12.7% more than the RM65.9 bil held by the top 15 companies on our 2014 list.

Just like its assets and liabilities, the size of a company's cash holdings depends on several factors. So the cash that has been amassed can be an important tool for investors when they analyse a company.

As in 2014, gaming-player Genting Bhd grabbed the top spot this year with a cash pile of RM23.1 bil while its subsidiary Genting Malaysia Bhd climbed



Conglomerates Genting and YTL are the most cash-rich companies on our Focus List



one spot to come in fourth with RM4.3 bil cash.

In second place is conglomerate YTL Corp Bhd with a cash position of RM13.7 bil followed by its subsidiary YTL Power International Bhd in third place with RM9.7 bil.

According to Sunway Business School professor of economics Dr Yeah Kim Leng, companies in some sectors

generally have more cash due to the nature of their business.

"Commodity companies which are in the midst or coming off a bumper period of returns, for example, and property companies, generally tend to have larger cash banks. This is also true for leisure and gaming stocks such as Genting.

"Capital intensive companies like those from the power sector or highway developers will also have larger amounts of cash.

"Although these companies have heavier debt loads as well, their borrowings are spread over a long period. In the meantime, they will continue to steadily accrue profits which will gather in their cash banks" he tells **FocusM**.

The average cash held by these companies is about RM4.95 bil each. However, only the top three on our list have cash or cash equivalents higher than this.

Collectively these three companies have RM46.4 bil, which is about 62.5% of the total cash being held by the 15 companies.

And just as in 2014, companies in the trading and services sector are best represented with seven making the cut.

This is followed by two companies each from the property and plantation sectors. Industrial products, consumer, construction and infrastructure project companies have one each on the list.

It should be noted that financial services companies have been left out of the top 15 list as they also hold customer



Yeah says that large cash holdings must be analysed from all angles

deposits which add to their cash reserves (see table on *Most cash-rich by sector*). Government-linked companies have also been grouped separately and benchmarked against each other (see sidebar on *Cash rich GLCs*).

Benefits of holding cash

Companies have many reasons for amassing cash. Famed economist John Maynard Keynes says there are three broad reasons to keep the cash. He defined these motives as the speculation motive, precautionary motive, and transaction motive.

In the first instance, companies want to ensure they can take advantage of opportunities which might arise and need to be acted upon quickly.

For example, this could come in the form of a potential acquisition

How we ranked them

WE ranked Bursa Malaysia-listed companies according to their cash and cash equivalents based on their reported balance sheets. This was narrowed into two lists.

The first is the Top 15 with the largest cash positions and the second is the Top 40 cash rich, based on their sectors. We also compiled a list of the Top 14 government-linked companies with large cash piles.

It should be noted that banks were

excluded from our Top 15 cash rich companies list as they hold customer deposits, which would need to be excluded to determine a bank's own cash holdings.

However, in the Top 40 list, banks were ranked by sector and benchmarked against their peers. Cash and cash equivalents include marketable securities, which can be quickly disposed to raise cash when needed. This includes shares, bonds and loan stocks which a company can sell easily when it needs additional liquidity.

Top 15 cash-rich companies (excluding financial services companies)

#	Company	Sector	Cash and equivalents (RM'000)	Market Cap. (RM'000)	Dividend per share (Sen)	Dividend yield (%)	Latest Quarter (2016)	PE	Latest Quarter ROA	Latest Quarter ROE	Total debt (RM'000)	Total debt/EBIT	Gearing (%)
1	Genting	Trading/Services	23,083,361	29,417,228	3.50	0.48	June 30	27.08	1.81	3.74	17,950,925	2.77	29.65
2	YTL Corporation	Trading/Services	13,668,573	18,454,376	9.50	5.69	June 30	18.76	1.39	6.34	36,998,824	17.56	168.37
3	YTL Power International	IPC	9,674,213	12,198,593	10.00	7.09	June 30	10.25	2.41	8.75	24,114,078	15.85	79.30
4	Genting Malaysia	Trading/Services	4,251,523	25,566,907	7.10	1.44	June 30	19.32	5.31	7.30	4,579,793	2.92	25.21
5	DRB-Hicom	Industrial Products	2,704,743	2,764,529	2.00	1.96	June 30	-	-2.54	-16.37	6,612,352	-	69.11
6	Malakoff Corporation	Trading/Services	2,690,411	8,250,000	7.00	4.38	June 30	16.79	1.58	8.26	17,305,219	25.19	286.95
7	SapuraKencana Petroleum	Trading/Services	2,338,788	9,167,997	1.35	0.72	April 30	-	-2.72	-7.87	17,342,247	13.25	146.63
8	Oriental Holdings	Consumer	2,246,089	4,156,424	20.00	2.59	June 30	20.33	2.59	3.75	1,398,220	0.86	22.19
9	Bumi Armada	Trading/Services	2,167,007	4,165,051	0.82	0.80	June 30	-	-2.98	-7.83	9,881,509	9.03	157.95
10	IQI Properties Group	Properties	2,086,985	11,160,374	8.00	3.40	June 30	8.90	5.24	7.37	4,262,032	3.30	26.61
11	Sunway	Properties	2,044,168	6,305,527	11.00	3.57	June 30	9.06	3.91	8.98	6,822,761	4.99	86.55
12	Batu Kawan	Plantation	1,986,432	7,269,334	50.00	2.98	June 30	9.69	4.22	13.66	5,135,257	37.87	44.72
13	IQI Corporation	Plantation	1,938,200	27,856,757	8.00	1.84	June 30	39.21	4.49	11.40	7,381,200	5.67	99.52
14	IJM Corporation	Construction	1,704,861	11,884,783	10.00	1.98	June 30	21.80	2.86	6.53	5,882,737	-	58.02
15	Berjaya Corporation	Trading/Services	1,678,058	1,609,421	2.16	6.17	April 30	-	-0.77	-2.51	6,693,794	3.29	57.37

Sources: Bursa, Bloomberg | Researched by Suraya Md Salleh, Mathenny K. and Johnny Loh

Headline	Flush with cash		
MediaTitle	Focus Malaysia		
Date	24 Sep 2016	Language	English
Circulation	20,000	Readership	60,000
Section	News	Page No	1,12,13
ArticleSize	1809 cm ²	Journalist	N/A
PR Value	RM 94,160		

opportunity that would need to be grabbed quickly or the chance to buy inventory at a discount.

Companies also amass cash as a precautionary measure as such reserves can serve as an emergency fund of sorts.

The cash is meant to provide a buffer should cash inflows not materialise as expected. Hence, it enables the companies to satisfy their short-term obligations.

Finally, companies gain large cash positions to ensure they can continue to run their businesses. They require cash flow to ensure they can continue to provide services or create products.

Holding large sums of cash will thus ensure they can meet their inflow and outflow needs.

Nonetheless, a large pile of cash does not automatically make a company financially attractive. A prudent investor should question how the cash got there, consider the type of business the company is in and ask what its management plans to do with it.

"Generally, having a sizeable cash bank is seen as being favourable. However, it must be looked at from various angles when one is analysing a company", says Yeah.

QUICK FACTS

- ▶ Our Top 15 listed companies have a combined market capitalisation of RM180.2 bil
- ▶ The Top 14 GLCs have a total market capitalisation RM454.1 bil
- ▶ The trading and services sector is best represented with seven companies each in both lists
- ▶ The Top 15 cash-rich companies have total cash reserves of RM74.3 bil while the Top 14 GLCs have RM47.42 bil
- ▶ Genting, YTL Corp and YTL Power International collectively hold RM46.4 bil or 62.5% of the total cash held by our Top 15 companies
- ▶ YTL Corp has the largest total debt with RM37 bil while Malakoff Corp has the highest gearing with 286.95%
- ▶ On our Top 15 listed companies list, Batu Kawan offered the best dividend of 50 sen. On the Top 14 GLC list, Petronas Dagangan and Petronas Gas both paid out dividends of 60 sen each.

"The cash is most likely being held for a large future investment or because there is a lack of attractive opportunities for investment. Or perhaps there are no investment options that meet the company's required rate of return."

Sectors which are cyclical in nature will also generally build up larger cash reserves during up cycles to tide them over down cycles, he says.

Nonetheless, having large cash piles only tell part of the story and an equally important consideration is how that cash will be deployed.

When analysing companies that have large cash holdings, it is important to consider how management had previously utilised the cash and its plans moving forward.

"If a company does not have much debt but a large cash hoard, it could mean it is too conservative and not optimising its capital structure well enough.

"Going one step further, it might be amassing cash to use as a 'debt bullet'. This is when a company collects cash till it can settle a large debt payment, a situation which is not ideal," says Yeah.

Rewarding shareholders

There is also debate as to whether large cash piles should automatically translate into better returns for shareholders.

Shareholder activists such as Carl Icahn, for example, are known for demanding that companies with large cash piles return larger amounts to shareholders via dividends and buybacks.

However, Yeah opines that while investors might feel they should be given better returns due to the company's large cash pile, it might make better sense for the investor's own long-term strategy to allow the company to hold on to it.

"If the shareholder can somehow use the cash to generate higher returns, then it makes sense to want companies to disperse more.

"However, it might make more sense for shareholders to allow companies to hold on to the cash as they have the capacity to make larger and better investments that regular investors will not have access to," he argues.

In our Top 15 list, we found that plantation company Batu Kawan offered investors the best dividend per share at 50 sen.

This was more than double the 20 sen per share paid out by Oriental Holdings Bhd which had the second highest dividend. [FocusM](#)

Headline	Flush with cash		
MediaTitle	Focus Malaysia		
Date	24 Sep 2016	Language	English
Circulation	20,000	Readership	60,000
Section	News	Page No	1,12,13
ArticleSize	1809 cm ²	Journalist	N/A
PR Value	RM 94,160		

Cash-rich GLCs

#	Company	Sector	Cash and equivalents (RM'000)	Market Cap, Sept 20 (RM'000)	Dividend per share (Sen)	Dividend yield (%)	Latest Quarter (2016)	PE	Latest Quarter ROA	Latest Quarter ROE	Total debt (RM'000)	Total Assets (RM'000)	Total equity (RM'000)	Total debt/ EBIT	Gearing (%)
1	Petronas Chemicals Group	Industrial Products	8,451,000	52,800,000	18.00	2.48	June 30	20.03	9.08	11.11	15,000	29,922,000	26,209,000	0.00	0.06
2	Axiata Group	Trading/Services	7,188,630	48,112,027	20.00	3.12	June 30	25.71	3.27	8.76	21,498,347	66,001,469	26,329,086	5.24	81.65
3	MISC	Trading/Services	4,974,277	33,299,897	30.00	3.20	June 30	10.55	6.59	9.71	11,240,741	50,505,248	35,478,537	5.06	31.68
4	BIMB Holdings	Finance	3,771,485	6,370,607	12.20	3.19	June 30	10.87	0.99	15.26	3,719,666	57,176,152	4,239,801	1.19	87.73
5	Sime Darby	Trading/Services	3,495,600	48,971,541	27.00	3.56	June 30	19.89	3.87	7.62	15,966,500	64,159,400	35,644,600	9.73	44.79
6	Tenaga Nasional	Trading/Services	2,968,900	81,268,001	29.00	2.59	May 31	12.28	5.25	13.14	34,019,300	130,038,200	51,316,900	4.36	66.29
7	S P Setia	Properties	2,835,501	9,354,928	23.00	1.21	June 30	11.96	4.76	10.95	5,607,032	16,545,287	8,425,558	4.56	66.55
8	Telekom Malaysia	Trading/Services	2,604,000	24,727,211	21.40	3.16	June 30	31.06	3.54	10.67	7,696,400	23,411,400	7,931,500	17.60	97.04
9	IHH Healthcare	Trading/Services	2,317,018	54,164,120	3.00	0.46	June 30	53.44	3.03	4.79	6,887,650	36,042,398	23,838,754	4.25	28.89
10	Petronas Dagangan	Trading/Services	2,257,369	23,286,562	60.00	2.41	June 30	32.64	8.15	14.98	144,889	8,697,479	5,086,808	0.13	2.85
11	Felda Global Ventures Holdings	Plantation	2,257,179	8,208,341	4.00	2.34	June 30	-	0.30	1.02	5,897,543	21,627,699	8,791,269	43.49	67.08
12	UMW Holdings	Consumer	1,885,189	6,741,056	20.00	2.54	June 30	-	-1.60	-4.10	5,330,530	16,637,743	9,037,217	5.81	58.98
13	Petronas Gas	Industrial Products	1,356,473	42,701,035	60.00	2.64	June 30	27.72	11.04	13.67	1,359,338	14,787,260	11,876,039	0.67	11.45
14	KLCCP Stapled Group	REITS	1,055,041	14,081,598	13.00	4.91	June 30	26.26	3.18	4.44	2,562,659	17,562,615	14,540,530	2.55	17.62

Sources: Bursa, Bloomberg | Researched by Suraya Md Salleh, Mathenny K. and Johnny Loh