

MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Company No. 524989-M)
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The big hurdles in 2019

- **Corporate** chiefs have to contend with challenging economic environment, including regional trade wars and lower crude oil and CPO prices
- **Government** appears keen to break business monopolies, which may pose a challenge to some companies and GLCs



by Prathab V

If you think 2018 has been a topsy-turvy year, 2019 could see increased volatility in the business environment marked by domestic and global challenges.

Next year, many of the individuals listed in this article will be closely watched for their every move in injecting a breath of fresh air into the organisations they lead. Admittedly it won't be an easy task.

Some of these leaders will have to deal with a challenging economic environment and a trillion-ringggit national debt, increasing regional trade wars, declining crude oil prices, low crude palm oil prices, a weak ringgit and the continuing soft property market.

Some of these companies are also going through challenges due to internal family conflicts and external challenges. Genting Group is one such company. It will need to deal with three major issues in 2019, including its move to sue US-based Walt Disney Co and Twenty-First Century Fox Inc for US\$1 bil in a Los Angeles court on Nov 27.

FGV Holdings Bhd, the world's third-largest palm oil company in terms of land size, is still in the red. The company is still looking for a capable CEO to steer it from a major mess, including alleged mismanagement and fraud by its previous management. FGV has become a penny stock (71 sen), a far cry from its IPO price of RM4.55. When FGV was floated on Bursa in 2012, it

raised more than RM10 bil and became the second-largest IPO globally after Facebook.

Another GLC, IHH Healthcare Bhd (IHH), recently sailed into the red, posting a loss of RM104.07 mil. The company says the loss is mainly due to foreign exchange losses sustained by its Turkish subsidiary Acibadem Holdings. In 2019, IHH's new single largest shareholder Mitsui & Co Ltd will need to re-examine the company's business performance.

Under IHH are major hospital groups such as Pantai Hospital and Gleneagles Hospital.

Telekom Malaysia Bhd will likely have it tough next year. When its former group CEO Datuk Seri Mohammed Shazalli Ramly resigned in June, the telco appointed Datuk Bazlan Osman as acting group CEO. However, Bazlan abruptly resigned on Nov 16 and was replaced by its COO, Imri Mokhtar as acting group CEO.

Change has already begun

After the change in power in Putrajaya, the focus was immediately thrust on reforming key institutions of the government. After 61 years of Barisan Nasional rule, many political and economic observers are convinced that the reforms are long overdue.

"While acknowledging that government-linked investment companies (GLICs) and government-linked companies (GLCs) form an important part of the economy, in a number of areas, the sheer scale of state-owned enterprise activities has resulted in distortions in economic activity and lack of competition, with consumers paying the price. Going forward, the government will need to review the role and functions of GLICs and GLCs and focus public sector investments in areas of market failure where the private sector is unable to cater to the needs of the people," World Bank Group representative to Malaysia and country manager Dr Firas Raad tells *FocusM*.

Sunway University's professor of economics Prof Yeah Kim Leng says change is to be expected. "Changes at the CEO and board levels of government agencies are common whenever there is a new government. It is more so especially when GLCs are filled with political appointees," Yeah tells *FocusM*.

According to him, these companies and GLCs need to stay relevant. "If the organisation is already distressed and facing legacy issues, then the new heads will need to undertake restructuring and turnaround plans in order not to be a continuing liability to the government but an asset that is able to fulfil its role and functions effectively and contribute positively to the country's development," he opines.

Minority Shareholders Watch Group CEO Devanesan Evanson agrees with Yeah. He also points out that in some instances, talent reallocation is necessary to bring change to an entity. For instance, when former MD of Khazanah Nasional Bhd Tan Sri Azman Mokhtar and its entire board offered to resign on July 26, a new board was formed quickly. Datuk Shahril Ridza, CEO of the Employees Provident Fund

(EPF) was appointed MD. Shahril will have a busy 2019, overseeing various asset rationalisation exercises including disposals of stakes in listed companies.

According to MSWG, finding the right talents is crucial. "Institutions have a breadth and depth of talent and many have implemented succession planning. As such,



Companies to watch

Telekom Malaysia Bhd
Market capitalisation: RM9.733 bil
Share price: RM2.59 (Dec 19)

TELEKOM Malaysia's (TM) share price decline on Bursa Malaysia has been nothing short of spectacular. Few have sympathy for the company given its poor quality of service and high rates. Its share price is now hovering around RM2.50. The shares actually began to decline way back in July 2017, when it was above RM6.50 per apiece.

TM has long enjoyed an oligopolistic position, charging high subscription rates for its broadband service, UniFi. All that changed when the Pakatan Harapan government took charge in May, insisting that TM and other broadband players halve their rates and double their speed.

Consumers cheered but it was bad news for TM as its financial performance was adversely affected. Going into 2019, this could be the biggest mountain. The company also has to deal with leadership issues at the corporate level.

After the 14th general election in May, Datuk Seri Shazalli Ramly resigned as MD/group CEO. TM then appointed its deputy group CEO Datuk Bazlan Osman as acting group CEO. However, Bazlan too resigned on Nov 16 and was replaced by new acting CEO Imri Mokhtar. On Dec 3, its chairman Tan Sri Sulaiman Mahbob also resigned. Sulaiman was replaced by Rosli Man, a former TM director with 32 years' experience in the telco sector. Can Rosli turn around its fortunes?



Raad says the scale of GLC and GLICs' business has resulted in distortions to the economy



Devanesan says finding the right talent to lead organisations and companies is crucial

