MSWG
MINORITY SHAREHOLDERS WATCH GROUP

The Observer

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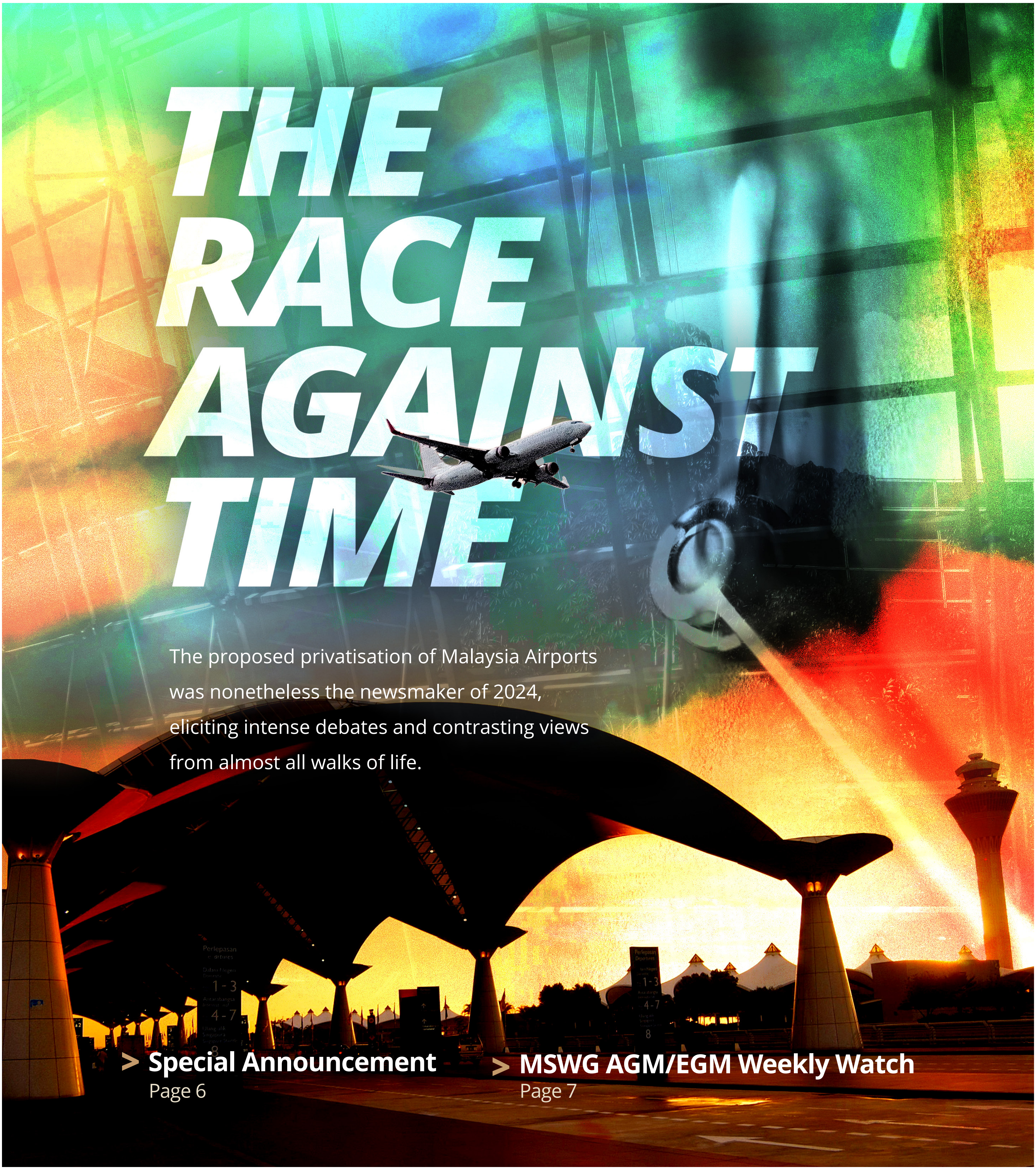


THE RACE AGAINST TIME

The proposed privatisation of Malaysia Airports was nonetheless the newsmaker of 2024, eliciting intense debates and contrasting views from almost all walks of life.

> Special Announcement
Page 6

> MSWG AGM/EGM Weekly Watch
Page 7

APLOMBS AND QUALMS IN MAHB SALE

Disclaimer: This article is reproduced from MSWG's column, originally published on 4 January 2025 in Starbiz7 with additional commentary.

Much has been said about the proposed privatisation of Malaysia Airports Holdings Berhad (MAHB) since Gateway Development Alliance Sdn Bhd (GDA) announced its offer to acquire the airport operator at RM11 per share last May.

GDA is a consortium led by Khazanah Nasional Bhd, the Employees Provident Fund (EPF), with foreign partners Abu Dhabi Investment Authority (ADIA) and Global Infrastructure Partners (GIP) (collectively referred to as "Joint-Offerors").

It is time for us to share our perspectives, given the cut-off period for the closing time and date for the acceptance of the offer, which has been extended from 5pm on 17 January 2025 to 5pm on 24 January 2025. The takeover offer is conditional upon achieving an acceptance rate of at least 90% by the Joint-Offerors.

Notably, the Joint-Offerors have stated their **intention to delist MAHB should the privatisation proceed.** As of 15 January 2025, the Joint-Offerors managed to garner an **acceptance level of 86.18% of the total issued shares of MAHB, still short of the 90% acceptance rate condition.**

A Catch-22 situation has arisen for minority shareholders torn between conflicting views presented by the independent adviser and MAHB's non-interested directors.

Hong Leong Investment Bank Bhd (HLIB), the Independent Adviser (IA), concludes that the offer is **"not fair but reasonable"** and recommends holders of MAHB's shares accept the offer.

Meanwhile, the **non-interested directors of MAHB disagree with HLIB and recommend that the offer be rejected**. With different stakeholders making their point, the following factors have to be considered.

Fairness and Reasonableness

Historically, MAHB has never traded above the offer price of RM11 per share. Its price from 2008 to 2023 was consistently between RM2.21 and RM9.

However, there was a steady climb from RM7.49 on 1 January 2024 to around RM10 in April – ahead of the announcement of the proposed privatisation in May. MAHB shares closed the year at RM10.58.

The independent adviser is of the view that the offer price of RM11 is **not fair** as it is low and is a discount of 12.77% to 19.77% over the estimated value of RM12.61 to RM13.71

derived using the sum-of-parts valuation methodology. Nevertheless, RM11 represents a premium of RM6.11 or 124.95% to the latest unaudited net asset per share of RM4.89 as of 30 September 2024.

The IA, however, says the offer is **reasonable** as it is at a premium of 3.57% to 37.78% over the last traded market prices at various periods.

The non-interested directors engaged the UBS AG Singapore Branch to assess the fair value of MAHB shares. UBS placed the equity value between RM10.95 and RM13.15, using various valuation methodologies, including discounted cash flow analysis and trading comparable analysis.

The difference in valuation range between UBS and the IA stems primarily from different valuation methodologies and sensitivity analyses applied by both UBS and the IA in arriving at the fair value range.

Discounts between offer prices and estimated fair values are not uncommon in takeover offers. ***The Observer***, has frequently discussed this issue. In fact, we always advocate a policy shift towards "fair and reasonable" for voluntary takeover offers and that PLCs intending to delist should offer prices that are 'fair and reasonable' for all shareholders.

A review of privatisation offers over the past three years reveals that most came with steep discounts ranging between 30% and 60%. One notable exception is Sime Darby Berhad's acquisition of UMW Holdings Berhad at RM5.00 per share in December 2023, which came with a much narrower discount of 10.84% to 16.90%. By comparison, the discount between MAHB's offer price and its estimated fair value is relatively modest.

Dividend Yield

MAHB has been consistently paying out more than 50% of its net profit to shareholders over the years, save for zero dividends for two years during the COVID-19 pandemic (refer to the table below). The dividend fluctuated based on its profit.

As a result, the **dividend yield declined from 8.39% in 2008 to 3% in the early 2010s and then further to around 1%**. Certainly, the low dividend yield was not an effect of increasing share price as the counter largely hovered between RM5 and RM9.

From an investment perspective, we believe that its dividend yield has been rather low. Comparatively, the average dividend yield for companies on the FBM KLCI was 3.95% per annum in November 2024[1].

[1] FTSE Russell, accessed via https://research.ftserussell.com/Analytics/FactSheets/Home/DownloadSingleIssue?issueName=FBMKLCI

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Last Closing Price for the year (RM)	2.21	3.97	6.28	5.80	5.21	9.00	6.80	5.61	6.06	8.79	8.38	7.60	5.92	5.98	6.56	7.36
Dividend Per Share (DPS) (sen) [(a)]	18.55	22.90	19.75	21.15	13.63	11.78	5.60	8.50	10.00	13.00	14.00	15.00	-	-	3.91	10.80
Dividend Payout (%)	50	50	55	50	50	50	61	58	56	55	52	52	-	-	50	50
Dividend Yield (%) [(b)]	8.39	5.77	3.14	3.65	2.62	1.31	0.82	1.52	1.65	1.48	1.67	1.97	-	-	0.60	1.47

(a) DPS based on financial year.

(b) Calculated based on DPS divided by last closing price for the year.

(Source: Data extracted from MAHB's Annual Report 2023)

Future Capital Investments and Plans

Airports are critical transport infrastructures that need continuous upgrades and modernisation, requiring big bucks. They are also a long-term investment, meaning shareholders may only see returns in the form of share price appreciation and dividends a few years down the road.

As noted in the offer document and independent advice circular, both Joint-Offerors and non-interested directors concur that **MAHB requires hefty capital investments** for its expansion plans, notwithstanding their divergent views on the rationale behind the privatisation offer.

Over the last five years, MAHB has invested only RM1.3 billion in capital expenditure, a stark contrast compared to Changi Airport's RM18.9 billion, Indonesia's Angkasapura I and II at RM8.1 billion, and RM6.8 billion by Airports of Thailand. The Malaysian government has estimated that **MAHB requires about RM10 billion in investments over the next five years** to remain competitive.

For comparison, Changi Airport Group recently announced a S$3 billion investment over the next six years to improve services at Terminals 1 to 4, further illustrating the scale of funding required to maintain top-notch airport standards.

It is evident that MAHB's capital investments are overdue. However, in the absence of full details of the Joint-Offerors' future capital investments and plans, not much else can be said.

The Verdict

While MAHB's financial performance has shown positive momentum, this is likely a post-pandemic rebound effect from a low base. Restoring MAHB to its former glory will require significant effort, time and capital investment.

It is commendable that MAHB's non-interested directors rejected the offer, demonstrating their commitment to act in the best interests of shareholders.

Subject to the entry price, the privatisation offer presents an opportunity to lock in some profit. This could be an opportune time to exit and reallocate the funds to investments with better yields or capital growth prospects within the investment horizon.

If MAHB remains listed on Bursa Malaysia, it is possible that its share price could exceed the RM11 offer price in the open market. However, such aspiration appears unlikely in the near term due to the substantial investments required for infrastructure upgrades, which may also pressure dividend payouts.

Ultimately, the **decision is yours to accept or reject the offer**, as the risk appetite, investment strategy, investment horizon and expectation of every shareholder vary. As always, minority shareholders should make informed investment decisions based on their risk appetites and available information.

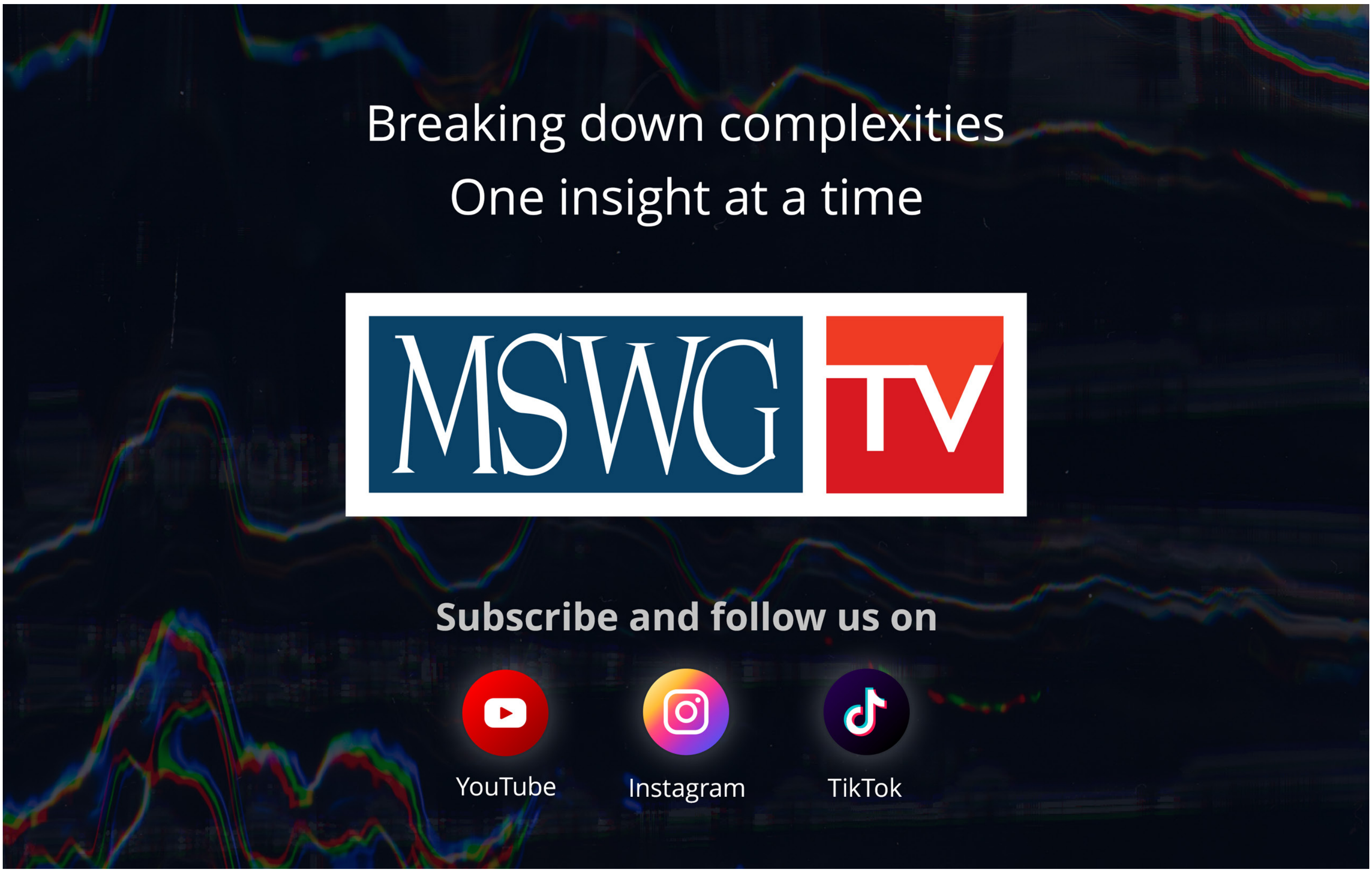
Quoting Aswath Damodaran, a Professor of Finance at the Stern School of Business, New York University, "*Valuation is not an exact science or art but a craft. One should always remember that all valuations are biased. The only questions are how much and in which direction*[2]".

With that, shareholders may also prioritise pragmatic considerations over theoretical valuations in uncertain times. It is also crucial to consider the existing shareholders' willingness to commit substantial capital required for long-term sustainability and competitiveness.

Lastly, would MAHB shares have crossed the RM10 mark in the near term without the prospect of GDA's privatisation? That is anybody's guess.

[END]

[2] Aswath Damodaran, Twelve Myths in Valuation,
https://pages.stern.nyu.edu/~adamodar/pdfiles/Seminars/val2hr.pdf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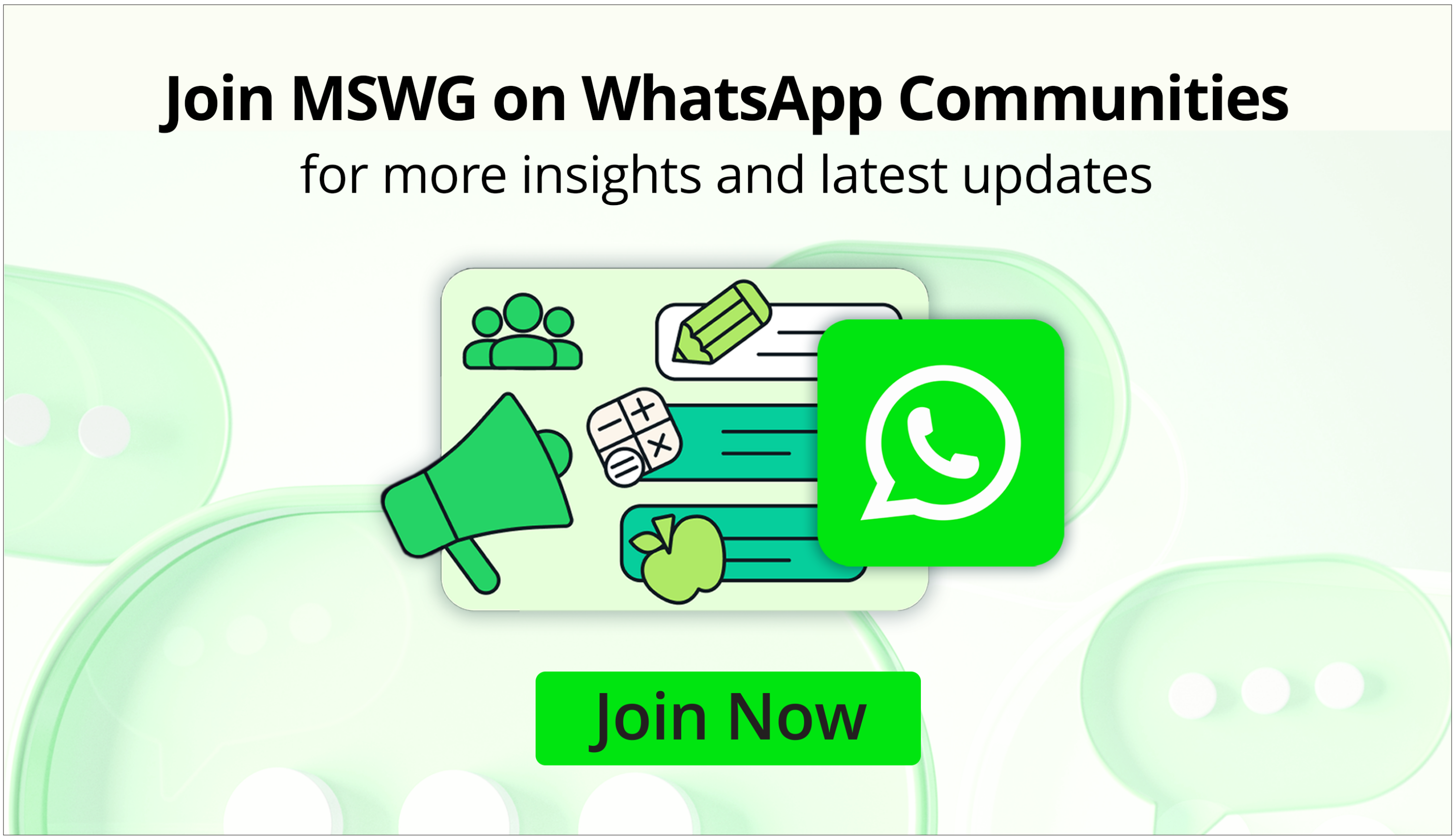
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MSWG
AGM/EGM WEEKLY WATCH

The following are the AGMs/EGMs of companies on the Minority Shareholders Watch Group's (MSWG) watch list for this week.

The summary of points of interest is highlighted here, while the details of the questions to the companies can be obtained via MSWG's website at www.mswg.org.my.

QUICK-TAKE

Date & Time	Company	Quick-take
21.01.25 (Tue) 10.30 am	Chin Teck Plantations Berhad (AGM)	The Group's revenue for FY2024 increased y-o-y by 28.78% to RM264.86 million (FY2023: RM205.67 million), while its net profit increased significantly by 63.66% y-o-y to RM87.35 million (FY2023: RM53.37 million). As the average selling prices of CPO are expected to remain uptrend, Chin Teck is expecting satisfactory plantation results for FY2025.
21.01.25 (Tue) 11.00 am	Homeritz Corporation Berhad (AGM)	The Group's revenue for FY2024 increased by 41.24% to RM229.72 million (FY2023: RM162.64 million) thanks to a higher volume of products sold. Meanwhile, its PBT increased by 34.56% to RM44.93 million (FY2023: RM33.39 million), in line with the increased revenue.
21.01.25 (Tue) 2.30 pm	PLB Engineering Berhad (AGM)	For FY ended 31 August 2024, PLB recorded a total revenue of RM134.43 million compared to RM44.81 million in the preceding year, both contributed from continuing operations. However, a LBT of RM7.68 million was recorded which consists of a pre-tax profit of RM10.09 million from continuing operations and a pre-tax loss of RM17.78 million from discontinued operations. Nevertheless, the bottomline had improved greatly from LBT of RM26.67 million in the preceding year.

Date & Time	Company	Quick-take
21.01.25 (Tue) 3.30 pm	PLB Engineering Berhad (EGM)	The Company is seeking shareholders' approval to dispose of 60% equity interest in PLB Green Solar Sdn Bhd by its 85.71%-owned subsidiary PLB Terang Sdn Bhd for RM19.8 million.
22.01.25 (Wed) 10.30 am	Matrix Concepts Holdings Berhad (EGM)	Matrix Concepts proposes to issue up to 625.67 million of bonus shares on the basis of 1 bonus share for every 2 existing shares held by the entitled shareholders on the entitlement date.
22.01.25 (Wed) 11.00 am	Spritzer Bhd (EGM)	The agenda of the EGM is to seek shareholders' approval for a bonus issue exercise to be distributed on the basis of 1 bonus share for every 1 existing share held.
23.01.25 (Thur) 10.00 am	Efficient E-Solutions Berhad (EGM)	Efficient E-Solutions will seek shareholders' approval for the proposed establishment of an ESOS of up to 10% of the total number of issued shares of Efficient over the duration of the ESOS for eligible persons (Proposed ESOS). The Company is also seeking shareholders' approval for the proposed allocation of ESOS Options to the Directors, major shareholders of Efficient E-Solutions and person connected to them pursuant to the Proposed ESOS, which includes granting of ESOS Options to Tuan Haji Mokhtar Ahmad Jamaldin and Dato' Robiah Abdul Ghani, who are both independent directors (IDs) of the Group. In line with better CG, MSWG does not encourage the practice of giving options to IDs as they do not play an executive role in the Company and are responsible for monitoring the option allocation to employees and executive directors.
23.01.25 (Thur) 2.00 pm	Saudigold Group Berhad (AGM)	The Company reported another year of losses amounting to RM6.06 million consistent with the lower revenue recorded during the FY 2024. The decline in revenue was due to weaker demand for its further process

Date & Time	Company	Quick-take
		products (FPP) as well as the cessation of trading activities. Further, the increase in raw material and labour costs coupled with the removal of diesel subsidy contributed to the negative results during the FY2024.
24.01.25 (Fri) 10.00 am	Hextar Industries Berhad (EGM)	The Company proposed a sale and leaseback for the industrial premises in Cheras and Pasir Gudang, along with a tenancy agreement for a factory in Bintulu. The proposed disposals aim to monetise its investments in the properties in Cheras and Pasir Gudang and to meet the Group's financing requirements. The proposed tenancies would ensure uninterrupted operations.
24.01.25 (Fri) 10.30 am	Astino Berhad (AGM)	ASTINO recorded a 1.6% increase in revenue to RM629 million in FY2024. This was mainly due to increase in sales volume but largely offset by lower average selling prices. Sales volume grew by 11% to 102,000 metric tonnes. Meanwhile, overall gross profit margin improved to 15.2% from 13.7% a year ago, attributable to lower raw material costs and higher sales volume. During FY2024, the Group acquired a 20.3-acre land in Selangor for RM60.2 million to cater for its expansion programme.
24.01.25 (Fri) 10.30 am	Hextar Technologies Solutions Berhad (EGM)	The EGM will seek shareholders' approval for the proposed disposal of the remaining unexpired period of the lease on a part of the leasehold land with factories and offices erected thereon with a lettable area of 193,365 square feet expiring on 11 November 2049 for a cash consideration of RM23.70 million by Channel Legion Sdn. Bhd., a wholly owned subsidiary of Hextar Technologies Solutions Berhad to Pacific Trustees Berhad as trustee of KIP Real Estate Investment Trust.

Date & Time	Company	Quick-take
24.01.25 (Fri) 3.00 pm	Hextar Capital Berhad (EGM)	The Company proposed to diversify its existing business to include money lending. In line with the proposed diversification, the Company proposed to reallocate the proceeds to be raised from the private placement, previously earmarked for funding its contract works, to fund the money lending business. The proposed diversification aims to provide an additional income stream to reduce reliance on the existing businesses

POINTS OF INTEREST

Company	Points/Issues to be raised
Homeritz Corporation Berhad (AGM)	On 12 December 2024, the Board announced that a fire incident occurred on the same date at one (1) of the premises belonging to Embrace Industries Sdn. Bhd., a wholly owned subsidiary of Homeritz. The affected premise is situated at Lot No. 8721, PN 9639, Mukim of Jalan Bakri, District of Muar, State of Johor. The incident affected one of the spraying lines and inventory work-in-progress. The damages sustained from the fire incident were restricted to one (1) block of furniture factory building. (Source: Bursa announcement dated 12 December 2024) a) What was the root cause of the fire incident? b) Were all the affected assets adequately covered by insurance? What is the estimated amount that can be claimed from insurance? c) Please update shareholders on the potential financial impact of the fire incident on the Group for the financial year ending 2025.
PLB Engineering Berhad (AGM)	The proposed disposal of PLB Green Solar Sdn Bhd marks the exit by PLB from the business of provision of solar energy services, hence the Group will dispose of the Solar Photovoltaic ("PV") Plant. (Pages 13 & 28 of AR 2024) a) How will it impact the Group's carbon footprint going forward? b) Will the Group's renewable energy initiatives such as incorporating solar panels as well as promoting natural lighting

Company	Points/Issues to be raised
	through architectural designs in its development projects in FY2025, be sufficient to offset the impact of the Group's carbon footprint?
Saudigold Group Berhad (AGM)	1. "The Management will continue to improve its production efficiency and increase its production capacity to capture a bigger market share in the FPP segment which has cater more sales and increase the market for East Malaysia, i.e. Sabah and Sarawak. The demand from East Malaysia improved by around 1.5 times as compared to FYE 2023. During the financial year under review, the Company invests into expanding its production capacity to enable to produce more in FPP products and meet the demand of local and East Malaysia market." (Page 14 of Annual Report 2024) a) Please provide a breakdown of total sales to Sabah, Sarawak and other locations in Malaysia for FYE 2022, FYE 2023 and FYE 2024 respectively. b) It was mentioned in the reply to MSWG for the questions raised at the AGM held on 10 January 2024 that the expansion was expected to be completed during 1st half of 2024. Kindly provide a status update on the expansion. What is the production capacity and utilisation rate of the facility post-completion? 2. "The decreased in GP margin mainly due to increase in material costs especially in Chicken pricing during FYE 2024." (Page 15 of Annual Report 2024) a) What was the average purchase price of poultry for the past 5 financial years? b) In view of the recent inflation, has the Company passed on the increase in cost to consumers? If yes, by how many percent?
Hextar Industries Berhad (EGM)	1. It is expected to have interest and cost savings arising from the Proposed Disposals of RM4.65 million. (Page 19 of the Circular) The cost savings from depreciation of the Properties are non-cash items whereas the payment of rentals to the Purchaser will reduce the cash available to the Company. a) What is the impact on the cash flow of the Company assuming the Proposed Disposals and the Proposed Properties Tenancies were completed as at FYE 31 December 2023?

Company	Points/Issues to be raised
	b) How do the long-term costs of leasing compare to ownership, particularly in terms of financial burden and operational flexibility? 2. What criteria was used to identify and evaluate prospective purchasers of the Properties? Was there a competitive bidding process employed to ensure that the highest value is realised for the Properties?
Astino Berhad (AGM)	The Group's sales volume rose 11% to 102,000 metric tonnes in FY2024. (page 4 of AR 2024) a) What were the key factors driving the 11% growth in sales volume? Was it due to higher demand by existing customers, new customer acquisition, expanded market reach or other external factors? b) Which products experienced the largest increase in sales volume? c) What is the demand outlook for FY2025?
Hextar Capital Berhad (EGM)	The target clienteles of the Company's money lending business include public listed companies, private limited companies and high-net-worth individuals. (Page 3 of the Circular) PLCs and high-net-worth individuals generally have better credit scores. How does the Company intend to ensure competitive pricing of its loan products while maintaining adequate margins, especially given that clients (PLCs and high-net-worth individuals) with good credit scores are likely to seek the lowest cost financing options?