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MAS loss for year just ended to widen

By Jalil Hamid

KUALA LUMPUR: Malaysian Airline System Bhd (MAS) is set to post much bigger losses for the year to the end of March 2001 compared with a year earlier, analysts said yesterday.

Analysts polled by Reuters forecast the state carrier would report a net loss between RM570 million and RM761 million.

The consensus of Mux Global Estimates was for a loss of RM676.2 million, or 80.7 sen a share. This would compare with a loss of RM259 million a year earlier.

The airline, with debts of RM9.5 billion, returned to the government fold in February after former chairman Tajudin Ramli cashed out his 29.09% stake in a controversial deal.

Since the buyback, the

government has appointed a new chairman and a managing director to help restructure the carrier.

Its new managing director Mohamad Nor Yusof, a former banker, has vowed to turn around MAS within two years. Prime Minister Datuk Seri Dr Mahathir Mohamad has even hinted that a foreigner might be named to run the airline.

But pending clearer signs of restructuring and the much-delayed sale of a MAS stake to a foreign airline, investors were expected to treat the stock with caution, analysts said.

A restructuring plan has so far been sketchy.

But company sources told Reuters that a US consulting firm advising MAS suggested it wind up its key subsidiaries and write off their debts.

MAS should also cut its 22,000 workforce, including

those on contract, by 6,000 to 10,000.

"We won't need all the contract staff," a source said.

The US firm's mandate did not cover the feasibility of splitting MAS's international and domestic services.

"That's being done by a different government committee," the source said.

The 2000/01 losses have deepened after sharply lower profit from the sale of aircraft and continued foreign exchange amortisation of RM400-500 million, said Noor Azwa Mohamad Noor, aviation analyst at KAF Seagroatt and Campbell.

The results have to be declared by May 31.

"MAS is expected to earn around RM250 million from the sales of aircraft and engines in 2000/01, down sharply from RM950 million in the previous year," Azwa said.

For the nine months to

Dec 31, 2000, the carrier posted a net loss of RM856.66 million against a profit of RM42.83 million in the previous corresponding period.

Although turnover rose 16% and its load factor increased 4.9% for the first three quarters, airline operations posted a loss of RM692.3 million.

MAS shares were up three sen to RM2.89 yesterday.

For the year, the shares have fallen 24% against the key Composite Index's 15.5% fall.

MAS is trading at a 28% premium to its Asian peers and analysts said the valuation already fully reflects a turnaround for the airline.

KAF's Azwa as an "underperform" recommendation on MAS. "We believe the foreign equity participation, which is the main stock price's driver, will not materialise in the short-term," he said. -Reuters