

Khazanah plans to take MAS private in bid to revive ailing airline
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State investor Khazanah Nasional Bhd plans to take Malaysian Airline System Bhd (MAS) private as the first step in a major restructuring of the loss-making airline following the disappearance of its flight MH370, two people with direct knowledge of the matter told Reuters.

A delisting would pave the way for Khazanah to revive the ailing carrier, possibly by selling off its profitable engineering, airport services or budget airline units, trimming its bloated payroll and installing a new management team.

The restructuring and potential sale of MAS is politically fraught because of heavy opposition to job losses from its powerful unions, which had hampered previous revival plans, and its status as the national flag-carrier.

At MAS's current price of 21 sen per share, majority shareholder Khazanah would need to pay only RM1.05 billion for the 30.6% of shares it does not already own, according to Reuters calculations.

Khazanah's board, chaired by Prime Minister Datuk Seri Najib Razak, is expected to meet at the end of this month to discuss the plan, one of the people said, adding that an announcement would be made by year-end.

The state investor is working with CIMB Investment Bank on the restructuring, the sources added, but cautioned that the plan, and its details, were subject to change depending on the ultimate decision by the government.

Khazanah said last month it was considering all options and would unveil plans within six to 12 months to restructure the airline, which has been squeezed into three straight years of losses by intense competition locally and on long-haul flights.

Hit by slumping ticket sales in the wake of the baffling disappearance of MH370 on March 8, the company turned in its worst quarterly performance in two years in the January-March period and is currently burning through its operating cash.

Its shares have fallen 16% since the disappearance.

MAS's chief executive said last week that the business needed to embrace "radical or sweeping" change to survive.

Meanwhile, Bernama reports that the MAS management will meet the Transport Ministry to discuss its recovery plan.

Transport Minister Datuk Seri Liow Tiong Lai said MAS needed to undertake massive changes to turnaround its business.

"MAS needs to transform. They are undergoing some difficult times and they will brief me soon," he said today.

In 2013, the airline's losses hit RM1.17 billion, nearly three times the RM433 million loss recorded in 2012. – Agencies, July 2, 2014.

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