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GLCs Continue On Growth Trajectory, Advancing Towards Regionalisation And Contributing Significantly To The Economy

In the Seventh year of its implementation of a 10-year programme from 2005 to 2015, the Secretariat to the Putrajaya Committee on GLC High Performance ("PCG") today issued the GLC Transformation ("GLCT") Programme Progress Review with the following key highlights:

GLCs on a strong growth trajectory
The G20[1] have shown significant tangible improvements in all key financial areas, and have successfully weathered the 2008/2009 Global Financial Crisis. FY2010 results indicate that the G20 are on a growth trajectory, with key financial indicators such as net income, total shareholder return ("TSR") and economic profit showing significant improvements.

G20 **net income** in FY2010 grew **49%** year-on-year to **RM17.3 billion**, and is expected to grow further to **RM22.1 billion**[2] in FY2011. The G20 **TSR** generated a **compounded annual return** of **16.4%** from 14 May 2004 (start of the Programme) to 1 April 2011, **out-performing** non-G20 FBM KLCI by **1.9%**. As of 1 April 2011, market capitalisation of the G20 more than doubled to RM353 billion since the start of the Programme. G20 delivered a return on equity of **10.5%** in FY2010, up from 7.7% in FY2009. G20 **economic profit** increased to **RM765 million** in FY2010, from an economic loss of RM647 million in FY2009.

GLCs now fundamentally much stronger companies
The quick rebound and promising upward trend, post 2008/2009 Global Financial Crisis, shows that the G20 are now fundamentally much stronger and resilient, having implemented the GLCT initiatives and undertaken their various transformation programme. For non-financial G20, **operating cashflow** increased from RM17.7 billion in FY2009 to **RM24.9 billion** in FY2010. FY2010 non-financial G20 firms' debt-to-equity ratio improved from 42% in FY2009 to 32% in FY2010, reflecting the robust free cashflow generated over the last 12 months. **74%** of G20 Headline **Key Performance Indicators** ("KPIs") were met in FY2010, an improvement from 64% in FY2009.

A 2010 survey among 17 major stockbrokers showed major improvements in their assessment of management quality of the G20.

GLCs advancing towards their regional expansion aspirations
Since the start of the Programme, GLCs have made inroads into regional markets. From FY2004 to FY2010, G20 **foreign assets** (as a percentage of total assets) grew from 9% to **25%** while **foreign sales** (as a percentage of total sales) grew from 26% to **33%**. Over the same period, G20 foreign sales have grown by a compounded annual growth rate of 14%. Several GLCs are well on their way to become regional players and even leaders, such as Axiata Group Berhad, Malayan Banking Berhad, CIMB Group Holdings Berhad, and Sime Darby Berhad. Several others are successfully extending their footprints outside of Malaysia, such as Malaysia Airports Holdings Berhad (in India, Turkey and Kazakhstan), PLUS Berhad (in Indonesia and India) and UMW Holdings Berhad (in Indonesia, Thailand, Vietnam, Papua New Guinea, Australia, Taiwan, China, India, Oman and Turkmenistan).

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Government-Linked Investment Companies (GLICs) and GLCs are contributing significantly to the economy

GLICs and GLCs continue to invest and support several national corridor developments such as Northern Corridor Economic Region ("NCER") and Iskandar Malaysia. They have been actively investing in new economy investments ("NEIs"), forming successful partnerships with the non-GLC private sector and divesting non-core and non-competitive assets. They have also contributed significantly to the development and execution of the National Key Economic Areas ("NKEAs") and Strategic Reform Initiatives ("SRI") labs under the Economic Transformation Programme ("ETP").

From GLC Transformation to National Transformation

Phase 4, which is the final phase of the Programme, coincides with an exciting period in Malaysia's economic landscape as the nation charge towards Vision 2020, via implementation of the New Economic Model ("NEM"). Towards this end, GLICs and GLCs are playing a significant role in contributing to the success of the two pillars of the NEM, namely the Government Transformation Programme ("GTP") and the ETP. The NEM itself will impact the very environment that GLCs operate in and moving forward, the role of GLCs will evolve towards enabling the transformational reforms that come with it.

The roles of GLICs and GLCs in the NEM need to be crystallised and its execution elevated

The NEM and the GLCT Programme are aligned as they both support Malaysia's Vision 2020 goals of becoming a high income nation. Therefore, it is critical for the NEM and the Programme to reinforce each other moving forward. Five important roles have been identified by the PCG to clearly identify how GLICs and GLCs will support NEM. These five roles will also provide the GLCT fraternity with a common understanding, language and frame on how to reinforce the NEM. Given the shorter time frame to 2015 (which marks the end of the 10-year Programme) and the more challenging business environment, there is a critical need for GLICs and GLCs to elevate the execution of their five roles in NEM in order to achieve the country's 2020 aspirations.

The 5 roles are:

1. Diligently stay the course in executing the 10-year GLCT Programme
2. Relentlessly continue their journey towards becoming regional champions
3. Pursue NEIs in line with NEM
4. Collaborate and co-invest with the non-GLC private sector
5. Focus on core businesses on a level playing field and to progressively divest out of non-core and non-competitive assets

End

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[1] A selection of 20 GLCs controlled by the Government-Linked Investment Company (GLIC) constituents of the Putrajaya Committee on GLC High Performance (PCG). There are currently 19 GLCs in the G20 due to various mergers, demergers and other corporate restructuring exercises.

[2] Based on Bloomberg analyst consensus estimates as of 1st April 2011