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Unlocking value in MMC

Che Khalib ready to unveil his plans to sweat the assets within the conglomerate

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AFTER three years of being at the helm of MMC Corp Bhd, Datuk Seri Che Khalib Mohamad Noh, well-known for his corporate restructuring skills, is now ready to unveil the business strategies of the group.

The 53-year-old group managing director of MMC has been instrumental in a few notable corporate exercises during his time with the Renong Group, Keretapi Tanah Melayu Bhd and SAJ/Ranhill Utilities Bhd.

He was most applauded for the ground-breaking initiatives implemented during his tenure at Tenaga Nasional Bhd (TNB), where he saw to it that the open tender was the way for the awarding of independent power producer (IPP) licences.

After he left TNB, the awarding of IPPs via competitive tenders has been done away with.

Now, a seasoned Che Khalib who joined MMC in July 2013 has completed reorganising MMC's business structures and is ready to take the company to the next level.

"In the last three years, what I did was to re-organise, keep the house in order and strengthen our capabilities.

"We have listed Malakoff Corp Bhd, closed our loss-making fabrication facility and divested the oil and gas division.

"Now, we are just focused on three sectors, namely, ports and logistics, and energy and utilities, as well as construction and engineering," he says in an interview with *StarBizWeek*.

MMC also has under its belt some 5,000 acres at its Senai Airport, Tanjung Bin and in Kulim, Kedah. The land is ripe for it to be shaped as a developer of industrial property.

"Beyond that, we are very keen to venture into the water industry as it is currently very under-invested," Che Khalib says.

Currently, MMC owns almost most of the ports on the west coast of Peninsular Malaysia, namely, Penang Port, Northport, Port of Tanjung Pelepas (PTP), Johor Port and the recently acquired Tanjung Bruas Port in Malacca from the Port Klang Authority.

However, the value of the port is not reflected in its share price.

MMC's market capitalisation is currently at RM7.15bil. However, the value of its listed assets and land bank itself exceeds the current market capitalisation of the company.

MMC's assets, namely, its 36.5% stake in Malakoff that is worth approximately RM2.5bil, its 30.9% stake in Gas Malaysia

Bhd that is worth close to RM1bil and its 5,000 acres of land valued at RM4bil cumulatively amount to about RM7.5bil.

"Hence, the value of the port is not reflected in MMC's share price now," says an analyst.

Conservatively, if one were to take Westports Holdings Bhd's market value of RM14.5bil and give it a discount of about 25%, MMC's port business could be well valued at about RM10bil or more.

So, why does the market not include the port value in MMC's market capitalisation?

One reason could be MMC's low dividend yield of 1.9% as compared to other port-related counters such as Westports which yields 3.3%.

Could this under-valuation be a catalyst for MMC to float its port division?

On the possible listing of its port business, Che Khalib says it is in no hurry.

"The beauty of the ports is that their liabilities are only based on project finance ... thus, at the port level, we have very little debt.

"So, we are in no hurry to list. But, of course, if we want to expand and want to explore regional opportunities, it is better for us to list.

"And yes we want to become a regional player and bring back the glory days of Malaysia as a maritime nation, as we are already blessed with a strategic location along one of the world's most important and

busiest shipping routes, the Straits of Malacca," he says.

Another reason for MMC to consider listing its ports business is to allow for it to shape up and position itself as a port and logistics business provider.

Che Khalib sees an opportunity in the booming online retail sector that would need more warehouses and transportation services.

"We are already a complete logistics provider from seaports, airports, warehouses and haulage too, as we also own Kontena Nasional Bhd," he says.

Che Khalib says that MMC's industrial property development would complement its logistics business.

Currently, MMC owns a total of about 5,000 acres of land, of which 2,700 acres are located adjacent to Senai Airport, 2,000 acres in Tanjung Bin and another 400 acres in Kulim, Kedah.

"Nowadays, people are more comfortable with online shopping.

"Retailers would require warehouses, delivery hubs, etc. We want to provide the

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logistics as well as the industrial space for them to store the goods," he says.

Citing some examples, Che Khalib says MMC has managed to attract BMW and Volkswagen to locate their regional distribution centres in Senai in the last two years.

"We are trying to get Ikea too," he adds.

Port challenges

Che Khalib admits that the port business is going to be the main business thrust for the group, going forward. "In the immediate term, we have to focus on ramping up the capacity and efficiency at PTP, as we are reaching 80% to our full capacity as well as the development of the mega-transshipment hub in Singapore's Tuas Port.

"By 2020, the capacity at PTP will be about 16.5 million twenty-foot equivalent units (TEUs).

"PTP and our newly acquired Tanjung Bruas Port have great potential in getting more cargo from Sumatera which is currently going to Singapore," he says.

For Penang Port, Che Khalib says the port is more focused now as it had just disposed the loss-making ferry services to Prasarana Malaysia Bhd.

"I think Prasarana will have more capability in turning around the business, as it is an expert on transportation. We also included valuable land on both sides of the ferry terminal in the deal."

On Penang Port, Che Khalib says it has ample potential.

"The problem that we see now is the heavy congestion at the border area. We are working with the Government to decongest and that would create a more conducive environment for the movement of cargo," he says.

For Johor Port, which handles 95% hinterland cargo, it was also awarded port operatorship by Petroliam Nasional Bhd for the Refinery And Petrochemical Integrated Development or Rapid Pengerang Project to operate two material off-loading facilities in Teluk Ramunia and Tanjung Setapa.

Essentially, Che Khalib says if MMC combined all the throughput at its ports, it controlled about 60% of container volume of the country at 15.6 million TEUs as of last year.

"And that brings us up to become the eighth-largest port group operator in the world," he says.

MMC also wholly owns Senai Airport - the only airport in the whole country that is not operated by Malaysia Airports Holdings Bhd.

"Things have been picking up at Senai Airport, with the volume of passengers going up to three million as of last year from only a million in 2013.

"A few reasons for this growth are the Nusajaya development, the Pengerang development and we are handling a lot of Chinese travellers lately,

"Every month, we have new flights coming in from various destinations in China and Indonesia," he says.



Che Khalib: 'We are very keen to venture into the water industry as it is currently very under-invested.'