Suruhanjaya Sekuriti
Securities Commission
Malaysia

SC CORPORATE CASE STUDY SERIES

The Privatisations of Maxis Communications Berhad and Tanjong Plc

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18 January 2013

DISCLAIMER

A Case Study on the Privatisations of Maxis Communications Berhad and Tanjong Plc

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One of the more reclusive, yet famous, figures in Southeast Asia, Malaysian-born Ananda Krishnan got his start in business following his graduation from Harvard Business School in 1964. He began as an oil trader, reportedly with Arab contacts he made at Harvard, building a business in the Philippines that put him on the right side of the market during the oil shocks of the 1970s. His success caught the eye of some of Malaysia's political leaders, who recruited him to help "beef up" the trading business of Malaysia's national oil company, Petroliam Nasional Bhd (Petronas)[1]. By the late 1980s, thanks to his twenty-year track record, he was regarded one of Malaysia's most successful businessmen.

While some cited his personal friendship with Malaysia's then prime minister, Mahathir Mohamad, as a reason for this success, others stated the obvious: Ananda was analytical and meticulous, and he delivered good results. A Malaysian analyst summarized this as follows: "Dr Mahathir likes people who can deliver, go-go people who he can be sure will do the job."[2] Ananda was one of those. Asked once about whether he was awarded contracts in Malaysia because of his friendship with Dr Mahathir, Ananda said, in essence, that, while being close to the prime minister didn't hurt, one who was awarded a contract still had to raise the capital and deliver a successful business.

During the next three decades, he was arguably the most prolific business builder in Malaysia. By 2007, listed businesses he controlled generated revenues of approximately RM11.6 billion, employed in excess of 7,000 people, and had total market capitalisations on the Kuala Lumpur Stock Exchange (renamed Bursa Malaysia in 2004) of more than RM50 billion.

[1] "Ananda's big buyout," *The Edge Malaysia*, August 2, 2010.
[2] "Tycoon's Space Launching Part Of Rocketing Career," *The Australian Financial Review*, 30 May 1994.

In 1989, he began the business that would eventually become Tanjong Plc, covered in greater detail later in this note, a conglomerate comprising gambling, power, leisure, and property assets. Tanjong's IPO on the Kuala Lumpur Stock Exchange (KLSE) was in 1991.

That year, as Malaysia was delivering a decade of strong economic growth, Ananda, in partnership with Petronas and others, also began the development of Kuala Lumpur City Centre. Called a "fully integrated town that would feature the two largest office towers in Asia, hotels, condominiums, a convention centre, a park-enclosed lake,"[3] KLCC was situated on a 39-hectare site that was home to the Selangor Turf Club. In 2002, he sold his 49% interest in the development to Petronas, realising approximately RM1.2 billion, which he reportedly used to expand his other Malaysian business interests.[4]

In 1993, his company Binariang Sdn Bhd obtained the license to develop and launch Malaysia's first communications satellite, the Malaysian East Asia Satellite (Measat) system. Three years later, the launch of Measat-1 and Measat-2, "paved the way for the rapid development of the telecommunication and broadcasting industries in Malaysia."[5] The company's satellites would beam TV and telecom signals throughout Southeast Asia including those of Ananda ventures Astro All-Asia Networks (Astro) and Maxis Communications. The company became publicly traded through a reverse takeover of Malaysian Tobacco Co Bhd in 2003, and changed its name to Measat Global Bhd.

In 1995, as the Malaysian government liberalised the telecommunications industry and encouraged private investment, Ananda entered the mobile telephony business through Binariang, in a venture later renamed Maxis Communications. Maxis, also covered in greater detail below, grew to become Malaysia's leading mobile phone company by 2000 and was listed on the KLSE in 2002.

In 1996, following the successful launching of Measat-1 and Measat-2, Ananda started Astro. The company was the only provider of direct-to-home, multi-channel subscription television through the time of its listing on the KLSE in 2003, and had annual revenues by then of approximately RM1.3 billion from an approximately 23 percent market penetration rate.

In 2007, Ananda's companies began a series of privatisation exercises, with the buy-out of the public shareholdings of Maxis. Then, in 2010, he and others privatised Astro, Measat, and Tanjong. The privatisations of Maxis and Tanjong, in particular, were notable for their size and execution and were followed closely by analysts of Malaysia's corporate and financial markets.

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[3] Malaysia's Ananda Sets Ultimate Deal: Well-Connected Entrepreneur Moves Ahead on Ambitious City Center, *The Asian Wall Street Journal*, December 24, 1991.

[4] "Ananda's big buyout," ibid.

[5] "Ananda's big buyout," ibid.

Maxis Communications Berhad

History

The evolution of the telecommunications industry in Malaysia in the latter half of the 20th century followed the pattern of deregulation and increased competition in many countries around the world. Following its split from the Post and Telegraph Department in 1946, the Department of Telecommunications Malaysia (or Jabatan Telekomunikasi Malaysia, JTM) provided all telecom services, including the introduction of mobile telephony in 1985. In 1987, Syarikat Telekom Malaysia Berhad was formed and assumed all telecommunications operations from JTM. The company was listed on the Kuala Lumpur Stock Exchange in 1990, and changed its name to Telekom Malaysia Berhad in 1991.[6]

During the 1990s, new entrants were encouraged by the Malaysian government to bring private capital and expertise to compete with Telekom Malaysia. By the end of the decade, four new substantial competitors had emerged to compete with TM: Maxis, Celcom, TIME Telecom, and DiGi. They provided a range of telecommunications services as outlined in **Table 1**.

Table 1

Operator	Maxis	Telekom Malaysia	Celcom	TIME	DiGi
Domestic Fixed Line	✓	✓	✓	✓	✓
International Gateway	✓	✓	✓	✓	✓
Equal Access Number	182	181	189	183	186
Spectrum	GSM900 (2 x 10 MHz)	PCN1800 (2 x 25 MHz) AMPS (2 x 11 MHz)	GSM900 + ETACS (2 x 17 MHz)	PCN1800 (2 x 25 MHz)	PCN1800 (2 x 25 MHz)
Brand					
Postpaid	*maxis*	TMTOUCH Mobifon 018/ ATUR011	Celcom GSM/ART900	TIMECEL 017 Postpaid	DiGi mobile one
Prepaid	*Hotlink*	TOUCH Advance	Celcom Prepaid/ ART900 Prepaid	TIMECEL 017 Prepaid	DiGi Prepaid Plus
Internet Service Provider	Maxis Net	TMNet	CelcomNet	TimeNet	iDigi
Payphone	x	✓	x	✓	x

In 1999, the Malaysian government further liberalised the sector through its introduction of its "equal access" policy, which allowed "Malaysian consumers to choose their long-distance and international telephone carriers [and provided] Malaysian telecoms operators having fixed-line licenses the ability to supply trunk services to consumers directly connected to another network operator. The Government introduced this policy to facilitate improvement in the quality of telecommunications services and to facilitate price reductions as a result of

[6] Source: Maxis IPO prospectus, June 3, 2002.

enhanced operating efficiency."[7]

Though all telecoms companies provided both fixed line and mobile services, the latter had surpassed the former by 2001 and was continuing to grow at a faster rate. Malaysian telecoms statistics at the end of 2001 are shown in **Table 2**.[8]

Table 2

	As at 31 December 1999	2000	2001	Compound annual growth rate 1999-2001
Malaysian population[(1)] (in millions)	22.7	23.3	23.8	2.4%
Mobile subscribers[(1)] (in millions)	2.7	5.1	7.5	66.7%
Mobile penetration[(1)&(2)] (%)	12.0	22.0	31.4	61.8%
Fixed-line subscribers[(1)] (in millions)	4.4	4.6	4.7	3.4%
Fixed-line penetration[(1)&(2)] (%)	19.5	19.9	19.8	0.8%

Notes:
(1) Source: Commission's statistics (March 2002)
(2) Penetration refers to the total number of subscribers as a percentage of the total population

Maxis began operations in 1995, under the name Binariang Sdn Bhd, and changed its name to Maxis Communications Berhad in 1999. The company's conservative financial structure, experienced management, and focus on the fundamentals of its business enabled it to weather the Asian Financial Crisis in good condition. Indeed, there was talk in 1999 of Maxis acquiring Time Engineering, a struggling telecoms operator that was part of Halim Saad's Renong conglomerate one of Malaysia's largest corporations. In mid-1998, Time Engineering with a debt burden of more than RM4 billion filed for court protection from its creditors.[9] Asked about this, Ananda replied, "Tan Sri Halim Saad … is a good friend of mine. If we are doing something we would be doing it together."[10]

From its inception, Maxis was the fastest-growing Malaysian mobile telecoms operator, averaging compound annual revenue growth of 107 percent from 1996 through 2001. The industry as a whole grew at an annual rate of 43 percent. Maxis competed as a premium provider of mobile services and had the highest share of market (approximately 31 percent), the highest mobile revenues (approximately RM3.03 billion), and the highest average revenue per user (ARPU) in Malaysia, by the end of 2001.[11]

[7] Ibid.
[8] Ibid.
[9] "Kuala Lumpur: Running Out of Time," *Far Eastern Economic Review*, July 23, 1998.
[10] " Ananda - No plan to buy Time Tel stake," *Business Times, Malaysia*, July 9, 1999.
[11] Ibid.

Maxis's Initial Public Offering

In July 2002, Maxis sold 652,335,000 shares in Malaysia's largest-ever initial public offering, RM2.7 billion.[12] Following the listing public shareholders owned 26.62% of the company. The company planned to use the proceeds from its IPO primarily to continue its rapid domestic growth and to explore regional expansion opportunities. The penetration of mobile telecommunications services in various countries around Asia considered relevant by Maxis at the time of its listing is shown in **Table 3**.[13]

Table 3

Country	Total mobile subscribers 2001[(1)] (in thousands)	Mobile penetration rate 2001 (%)	GDP per capita 2001[(2)] (U.S.$)
India	5,478.9	0.5%	460
Indonesia	6,386.0	2.8%	670
Thailand	7,924.6	12.8%	1,810
China	145,000.0	11.4%	930
Philippines	10,447.1	12.6%	860
Malaysia	7,447.0	31.4%	3,680
Singapore	2,858.8	66.5%	20,880
Hong Kong	5,701.7	79.1%	24,050

Notes:
(1) Source: Global Mobile newsletter (Volume 9, Number 4, 27 February 2002) and Commission's statistics (March 2002)
(2) Source: Economist Intelligence Unit (December 2001)

Its strategy for continued growth and profitability was outlined in its IPO prospectus:

> *Given Malaysia's relatively high GDP and relatively low penetration rate compared to other Asian markets, Maxis believes that Malaysia will continue to experience growth in mobile services. Maxis intends to consolidate further its market-leading position in the Malaysian mobile sector and continue to grow its business profitably. Maxis' key strategies to attain these objectives involve building on its competitive strengths and identifying new opportunities. To achieve this, Maxis has developed a three pronged strategy:*
>
> 1. *Continue to pursue profitable market share growth while defending its existing customer base through building on existing strengths, focusing on targeting specific market segments and extending its loyalty programs. Initiatives include:*

[12] Ibid. 410,875,000 new shares were issued and sold by the company and 241,460,000 shares were sold by Maxis Holdings Sdn Bhd. The per-share price to institutions was RM4.80; to retail investors, RM4.36. The transaction raised approximately RM1.9 billion for the company and approximately RM1.1 billion for Maxis Holdings (Source: Investment bankers' slice of IPO could exceed RM400m, *The Edge Malaysia (Weekly)*, November 2, 2009).

[13] Ibid.

   a. *Continuing to invest in and enhance Maxis' premium brand image to attract new and retain current subscribers while maintaining premium pricing; and*
   b. *Maintaining high standards of network quality and service to preserve and improve customer satisfaction levels and to continue to reduce churn.*

2. *Increase ARPU through developing new services and product offerings, and expanding mobile data services. Initiatives include:*
   a. *Continuing to develop new services and innovative product offerings to differentiate and extend product leadership; and*
   b. *Focusing on data services, including building strategic partnerships to support growth in data services.*

3. *Further improve Maxis' operational capabilities and efficiency through initiatives aimed at enhancing human capital investments and cost management. Initiatives include:*
   a. *Leveraging operational efficiency through cost management, e-processes and human capital investments to improve productivity; and*
   b. *Retaining and attracting a quality workforce.*

In addition, Maxis intends to continue to explore domestic and regional expansion opportunities as they arise.

Over the next five years, Maxis continued to grow rapidly. The company's financial performance during this time is shown in **Exhibit 1**. A graph of Maxis's share prices over this period is shown at **Exhibit 2**.

Maxis's Privatisation

By 2007, the management of Maxis believed that the best opportunities for continued growth in mobile telecoms existed outside Malaysia. The company had expanded into Indonesia and India and wished to continue to expand its presence in each of these fast-growing markets. Access to substantial amounts of capital and partnerships with operators familiar with local regulations in these markets would be required to exploit these opportunities. Management believed this could be best done if Maxis were a private company, free of the pressures of having to please minority shareholders while subjecting the company's earnings to the increased volatility that may accompany both an increase in leverage and the uncertainties of doing business in Indonesia and India.[14]

[14] Local analysts' reactions to Maxis's rationale were perhaps best captured by AMResearch: "We think it is noble of the majority shareholders of Maxis not to subject minority shareholders to this heightened earnings

In May 2007, Binariang, Maxis's largest shareholder, and others acting in concert, made a conditional offer for the outstanding shares of the company they didn't already own, approximately 39.58%.[15] The offer price, RM15.60, was RM2.60 above the share price at the close of trading on April 27, after which the company had asked Bursa Malaysia to suspend trading. RM13.20, level hit earlier that month, had been its all-time high.

Local analysts believed minority shareholders were winners in the transaction and, by many measures, the offer appeared fair from a financial point of view. AMResearch noted: "The offer price values Maxis at FY07F-08F[16] PE[17] of 19-20x and EV/EBITDA[18] of 9-10x. This is at a premium vis a vis the sector average of FY07F-08F PE of 16-18x and FY07F-08F EV/EBITDA of 7-8x."[19] Their advice was as clear as the title of their research note: "Accept Offer". OSK called the offer a "decent exit price for minorities" and wrote that it "came in above our and market expectations."[20] And TA Securities, who projected a target price of RM13.00 per share at the time of the offer, wrote, "We would advise minority shareholders to accept the offer even at RM13/share." TA called the RM2.60 offer above Maxis's current share price "a whopping premium" and noted that the offer price "effectively values the whole firm at RM39.5bn"[21]

Analyses prepared by the directors' advisors, JPMorgan, and by RHB Investment Bank, appointed by the directors of Maxis to advise them and the shareholders of the "reasonableness" of the Binariang offer, are shown at **Exhibits 3** and **4**.

Tanjong Plc

In 1988, through his company, Usaha Tegas Sdn Bhd, Ananda took control of Lembaga Totalisator Malaysia, a government-run horse-race-betting business, after convincing the government that tax revenues would increase if tax rates were decreased from 20% of revenue to 5%. He was right. From revenues and earnings of RM16.6 million and RM300,000

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volatility and potential squeeze in dividend payments. But given its strong track record in and low gearing levels of 25% we do not think minority shareholders will be too adverse [sic] in tolerating this higher earnings volatility for the future growth of the company. Nonetheless, the offer price of RM15.60/share is definitely attractive by any measure." (AMResearch report May 4, 2007: Maxis: Accept Offer.)

[15] Regarding the "conditional" offer, AMResearch (ibid) noted that the deal essentially was a *fait accompli* from the outset. "Ananda Krishnan and parties acting in concert with him are estimated to own 59% or 1.5bn shares in Maxis. Hence, the offer has become unconditional already. The parties acting in concert have given irrevocable undertakings to Binariang that they will accept the offer. It is the intention of Binariang not to maintain the listing status in Maxis."

[16] Fiscal year 2007 and 2008 forward.

[17] Price/earnings ratio.

[18] Enterprise value/earnings before interest, taxes, depreciation and amortisation.

[19] AMResearch report, ibid..

[20] OSK report May 4, 2007: Maxis: Communications – I'll be back.

[21] TA Securities report May 4, 2007, Maxis Communications – Company Update.

in 1988, he built operations that generated RM700 million and RM110 million, respectively, by the end of 1991. Usaha Tegas set up a wholly-owned subsidiary, Pan Malaysian Pools Sdn Bhd, in 1988, to which it sold all its betting parlours for RM22.8 million, generating RM19 million in profits for Usaha Tegas. [22]

In 1991, an "Ananda-linked" HKD2[23] company, Marlstone Investments Ltd, acquired approximately 70% of Tanjong Tin Dredging PLC that had been de-listed from the Malaysia and London stock exchanges following the cessation of its tin mining operations. The *Wall Street Journal* reported at the time that Marlstone paid RM9.7 million for its stake in Tanjong, which, within two weeks, acquired 100% of Pan Malaysian Pools from Usaha Tegas and other shareholders for RM332.5 million.[24]

Tanjong was founded in the UK in 1926 as Tanjong Tin Dredging, Ltd.[25] It traded on the London and Kuala Lumpur stock exchanges until January 1991, when it was delisted following the expiry of its tin mining lease[26] and the acquisition of its shares by Marlstone. It was relisted in Kuala Lumpur and London simply as Tanjong Plc in December 1991.

The company soon diversified, in part to reduce its reliance on gambling as its primary source of revenue and in part to invest the sizeable cash flow that the gambling business generated.

By 2000, that proved to be a good decision. Taxes and duties had increased substantially on gambling and new regulations caused increased competition among the few operators in the industry. Higher taxes had another unwanted impact on Malaysia's gambling industry: it made illegal gambling parlours more attractive to gamblers and more profitable for their underground operators.[27] Tanjong's operating margins had shrunk by 2000, though the business remained profitable. Tanjong's entry into the power generation business, on the other hand, had been very profitable. By 2000, its power-related revenues were approximately RM317 million, 17% of Tanjong's total, while operating income from the segment was approximately RM175 million, 63% of Tanjong's total.[28] Tanjong's historical summary financial statements are included at **Exhibit 5**. A chart of Tanjong's closing share prices is at **Exhibit 6**.

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[22] "Malaysia's Ananda Sets Ultimate Deal," ibid.

[23] Hong Kong dollar.

[24] Ibid.

[25] "Ananda's big buyout," ibid.

[26] "Tanjong posts net earnings of M$32m" *Business Times Singapore*, April 3, 1992.

[27] In February 1995, Singapore's *Business Times* reported that illegal gambling in Malaysia was an approximately RM6 billion/annum business, while legal operators, like Tanjong and Magnum, only generated RM4-5 billion/annum. Increased tax and duty burdens for legal operators meant illegal operators could increase their payouts, making them even more attractive to their customers ("Gaming Firms No Longer A Good Bet," *Business Times Singapore*, 4 February 1995.

[28] Source: Tanjong Plc 2000 Annual Report.

In July, 2010, four months after announcing the privatisation of Astro All-Asia Networks and just one day after announcing the privatisation of Measat Global Bhd, Usaha Tegas's advisor, CIMB, announced that the company would launch an offer to acquire the 53% of Tanjong Plc it didn't already own. The offer price, RM21.80 per share, valued Tanjong at RM8.8 billion, a 21.9% premium to its last-traded price of RM17.88.[29]

The rationale was similar to that for taking Maxis private in 2007, according to CIMB group CEO Nazir Razak: "Private ownership will provide Tanjong greater flexibility to explore new markets and regulatory environments, the outcome of which may be uncertain. Accordingly, Tanjong Capital Sdn Bhd (TCSB) is offering minority shareholders the opportunity to exit at an attractive premium while not subjecting them to the associated risks of the company's next growth phase."[30] In addition, Nazir noted, "TCSB believes Tanjong's share price does not reflect its fundamental value. Tanjong has a wide range of businesses from power to gaming, it suffers from a conglomerate discount valuation."[31]

As with the privatisation of Maxis in 2007, local securities analysts generally supported the deal. AMResearch concluded minority shareholders came out winners, writing, "We believe that the offer price of RM21.80/share is fair. The offer price values Tanjong at FY11F PE of 12.8x and FY12F PE of 12.5x. In comparison, YTL Power Bhd is trading at FYE6/11F[32] PE of 14.0x and FYE6/12F PE is 12.5x. The offer price of RM21.80/share also values Tanjong at a P/BV[33] of 2.3x. Additionally, it is at the high end of consensus's fair value for Tanjong, which range from RM18.00/share to RM21.50/share."[34] RHB was less sanguine, noting that some minority shareholders might have preferred to continue to "want to ride on Tanjong's long-term prospects in regional power projects," and raising their target price to the deal's offer price of RM21.60.[35] TA Securities, however, also advised clients to accept the offer, noting, "Offer Price Exceeds Expectations."[36]

Though not quite a majority, like the approximately 59% ownership stake held in Maxis, Ananda Krishnan's stake in Tanjong of approximately 47% made completion of the privatisation at the RM21.80 offer price highly likely.

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[29] "Malaysian billionaire in $1.46bln Tanjong buyout," Reuters, July 30, 2010.

[30] Ibid.

[31] "Ananda's big buyout," ibid.

[32] Fiscal year ended June 2011.

[33] Price-Book Value ratio.

[34] AMResearch report August 2, 2010, Tanjong Plc: Another one bites the dust.

[35] RHB Research Institute report August 2, 2010, Tanjong Plc: News Update. In its report, RHB addressed what many observers thought was one of the major contributors to the "conglomerate discount" mentioned by Nazir, ie, Tanjong's ownership of the non-halal gaming business. Citing "The alternatives," RHB wrote, "We note that a demerger of the non-halal gaming business from the potentially high-growth power business would have addressed some of the issues with regards to raising capital from Syariah-related funding sources. Another alternative could have been to buy out the gaming business and leave power within Tanjong."

[36] TA Securities report August 2, 2010, Tanjong Plc – Company Update.

Analyses prepared by the directors' advisors, JPMorgan and by MIMB Investment Bank, appointed by the directors of Tanjong Plc to advise shareholders of the "reasonableness" of the TCSB offer, are included at **Exhibits 7 and 8.**

All-in, the de-listing of Astro, Measat, and Tanjong reduced the market capitalisation of Bursa Malaysia by almost RM19 billion.[37]

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Note:
Please refer to **Exhibit 9** for the milestones of Maxis Communications Berhad and Tanjong Plc.

[37] "Big Money: Tanjong's imminent departure a strong signal to policymakers," *The Edge Malaysia*, August 2, 2010.

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Maxis and Tanjong: Two Privatisations (B)

1. *Why was Binariang able to sell a stake in Maxis at a valuation that appears higher than its tender offer so soon after the privatisation?*
2. *Would knowledge of the deal with Saudi Telecom have impacted your analysis of the RM15.60 per-share tender price of Maxis? If so, how? What could you have done about it as an investor?*

The voluntary general offer announced on May 3, 2007, for Maxis shares made by Binariang and others was well-received. By the end of June, the vast majority of the outstanding shares had been tendered.[1]

On June 25, *Reuters* reported that Saudi telecom had agreed to invest in Maxis, though initial details were sketchy.[2] By the following week, Maxis had disclosed that Saudi Telecom had agreed to invest USD3.05 billion for a 25% stake in Binariang and Binariang's 51% stake in Indonesian cellular telephone company, PT Natrindo Telepon Seluler.[3] An interview about this deal conducted by Malaysia weekly, *The Edge* is at **Exhibit 10**.

[1] "Saudi hand in Maxis' comeback?," *The Edge*, July 2, 2007. By June 28, 99.4% of the outstanding shares had been tendered; approximately 2.519 million shares.

[2] "Saudi Telekom to buy Malaysia's Maxis," *Reuters,* June 25, 2007.

[3] Ibid, *The Edge*. Maxis's 2009 IPO prospectus described the deal as follows: "the disposal by Maxis Mobile Services of its entire shareholding in Teleglobal Investments B.V. (holding a 51% equity interest in NTS) to STC Indonesia Holding Cooperatief U.A., a wholly-owned subsidiary of Saudi Telecom, as part of an overall aggregate USD3.05 billion investment by Saudi Telecom into the BGSM group of companies, which resulted in Saudi Telecom acquiring a 25% strategic equity interest in BGSM and a 51% equity interest in NTS. The investment also included Saudi Telecom underwriting a USD450.0 million junior sukuk issued by BGSM out of an issuance size of USD900.0 million. This transaction was completed in September 2007."

ROBERT J BOXWELL JR

Maxis and Tanjong: Two Privatisations (C)

1. *How do you assess the overall economics of the listing, privatisation, and re-listing of Maxis? Why do you think the company was privatised then re-listed in such a short time frame?*

Following its privatisation in mid-2007, the management of Maxis made substantial changes to its capital structure and its business.

By the end of 2007, the company and its bankers had lined up new financing to repay RM20 billion in bridge loans that were used to finance the privatisation. The company issued RM12.05 billion in medium-term notes and RM300 million in commercial paper together in a senior sukuk[1], RM3.017 billion in junior sukuk, and USD1.2 billion (RM3.96 billion) in a syndicated term loan facility.

With the investment from Saudi Telecom, approximately USD3 billion, the company's revenues and profits grew rapidly in 2008 and the first half of 2009. Summary financial information is included in **Exhibit 11**.

In November 2009, Maxis Communications announced that it would re-list its Malaysian operations, Maxis Berhad, selling 2.25 billion shares, or 30% of its stake, to the public.[2] The CEO of the company's lead bank, CIMB, quipped, that the deal gave the bank "the rare privilege of being hired 'to list, delist and relist the same company' — something that was, to the best of his knowledge, 'unprecedented in the world of investment banking.'"[3] Observers at the time remarked that the listing was also unprecedented in speed, following shortly after Malaysia's Prime Minister, Najib Razak, "asked for it on the grounds that it would add breadth and liquidity to the Malaysian bourse." Approximately 28% of the offering was expected to be taken up by four institutions: Malaysia's Employees Provident Fund, the state-owned Pension Trust, Permodalan Nasional Berhad, and Fidelity Investments, the U.S.-based mutual fund.[4]

[1] A sukuk is "an Islamic security with a pre-determined return … with characteristics very close to / identical with interest" (source: " Islamic Finance: Future in the Global Economy," Prof. Dr. Volker Nienhaus, University of Malaysia presentation, June 29, 2011.)

[2] Malaysia's Maxis plans $3.4bn IPO, *Global Telecoms Business,* November 1, 2009.

[3] "Investment bankers' slice of IPO could exceed RM400m," *The Edge Malaysia (Weekly)*, November 2, 2009."

[4] " Maxis IPO Draws Investors For Payout, Size Despite Price " *Dow Jones Newswires*, November 6, 2009.

Securities analysts around Kuala Lumpur were generally bullish on the offering. A month before the announcement, TA Securities noted that Maxis had submitted a draft IPO prospectus with Malaysia's Securities Commission and summarised their analysis of Maxis's value vis á vis local and regional competitors. Excerpts from this are shown at **Exhibit 12**. JF Apex advised clients to subscribe, writing that their valuation was RM5.50 per share.[5] OSK called in institutional price of RM5.00 "at the lower end" of their valuation.[6] A chart of Maxis share prices since the re-listing is shown at **Exhibit 13**.

The IPO was completed on November 19, 2009. Shares were priced at RM5.00 to institutional shareholders, effectively valuing Maxis's Malaysian operations at RM37.5bn[7]. Retail investors' shares were priced at RM4.75. All funds went to selling shareholders; the company received no cash from the IPO. It was believed that Maxis Communications would use its proceeds to help fund growth of its Indian subsidiary, Aircel Ltd.[8]

[5] JF Apex report dated October 30, 2009, "Maxis Bhd: Subscribe."

[6] OSK "Corporate News Flash" dated November 10, 2009.

[7] This valuation appears to compare favorably from the sellers' standpoint with the valuation paid at the time of Maxis's delisting in 2007. At that time the company included stakes in businesses in Indonesia and India, neither of which were part of the re-listed entity. The valuation at delisting was RM15.60 per share, or approximately RM39.5 billion.

[8] Maxis IPO to Fund India Telecom Expansion, *The Wall Street Journal Online*, November 17, 2009.

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Maxis and Tanjong: Two Privatisations (D)

In August, 2011, a year after taking Tanjong Plc private at a valuation of approximately RM8.5 billion, Tanjong Capital Sdn Bhd sold its stake in Pan Malaysian Pools Sdn Bhd, its gambling business, to a consortium of Malaysian Chinese businessmen for RM2.1 billion.[1] The purchase price comprised equity of approximately RM500 million, bank loans of approximately RM1.5 billion, and a loan from Ananda Krishnan of RM100 million, repayable to a charitable foundation, the Community Chest, which was set up to receive all the profits from PMP's operations and disburse these to non-government Malaysian schools.

In March, 2012, Tanjong Capital agreed to sell Tanjong Energy Holdings Sdn Bhd, owner of Tanjong's power business, to Malaysia's state-owned 1Malaysia Development Bhd, for RM8.5 billion. Malaysia's *The Edge Financial Daily* reported that this would leave Tanjong with its 67% share of Menara Maxis, valued at approximately RM450 million, TGV Cinemas and Tropical Islands, a resort in Germany. According to MIMB's independent advice circular at the time of Tanjong's privatisation, TGV and Tropical Island had combined revenues of RM307.9 million for the year ended January 2010 and a combined operating loss of RM7.8 million.

[1] "Tanjong signs RM2.1b deal for sale of NFO," *The Edge*, August 2, 2011. (Note: NFO = Numbers Forecast Operator.)