



## Malaysian Airline System Berhad

Widespread Asset Unbundling ('WAU') : The Business Model  
Restructuring of our National Airline

A Report Card ...



# Brief description

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BinaFikir was the Lead Advisor for the Widespread Asset Unbundling ('WAU') restructuring of Malaysian Airline System Berhad

- Restructuring involved 'unbundling' the airline of RM5bn of assets and RM7bn of liabilities, transforming MAS's gearing ratio of 700% as at 31 March 2002 to a net cash position, thus creating an "asset-light" airline
- WAU is a financial restructuring which successfully resolved MAS's balance sheet problems and gave a strong platform for the management to focus on continued operational improvements
- Successfully executed by 6 November 2002 (being a record duration of 8.5 months for a restructuring of this magnitude)
- Awarded the Airfinance Journal Asian Corporate Finance Deal of the Year for 2002 and The Edge's Deal of the Year 2002

# Post-WAU results speaks for themselves

	After WAU			Before WAU
	Year ended 31 March 2005 RM'm	Year ended 31 March 2004 RM'm	Year ended 31 March 2003 RM'm	Year ended 31 March 2002 RM'm
Operating profits/(loss)	317.7	195.6	(47.0)	(776.6)
Profit/(Loss) before tax	364.5	345.2	336.6	(846.5)
Profit/(Loss) after tax	326.1	461.1	339.1	(835.6)

WAU only took effect for last 5 months of this financial year (2003) and yet had a major effect to turn around MAS's profit

# Report card

Shareholder value triples (by RM 4.7 billion) on the back of WAU restructuring

MAS Closing Share Price



MAS' share price movements are illustrated in the chart above. As illustrated, the share price increased from RM 3.06 per share on 5 November 2002 upon shareholder approval of the WAU restructuring, and reached a high of RM 5.60 per share on 31 March 2004. This works out to an increase in market capitalization of RM 4.7 billion (market capitalization of RM 7.0 billion as of 31 March 2004 vs. RM 2.4 billion on 5 November 2002)

# What they have said ...

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## Quotations from Malaysia Airline System Berhad

- *“2004’s after-tax profit of RM461.1 million [was] the best performance since the Airline was listed on Bursa Malaysia in 1985...This is a sign that MAS has made a turnaround, thanks to the implementation of the Widespread Asset Unbundling exercise in November 2002”* Dato’ Ahmad Fuaad bin Mohd. Dahalan, Managing Director, Malaysia Airline System Berhad in his Report for the company’s 2003/2004 Annual Report.
- *“2002 was a defining year for Malaysia Airlines, distinguished above all by the major reorganisation of the Group Corporate Structure...WAU,...connotes a widespread asset unbundling exercise...came at a most critical juncture...It proved to be regenerative...[and] deserves to be seen as a true landmark event.”* Dato’ Md. Nor bin Md. Yusof, Managing Director, Malaysia Airline System Berhad in his Report for the company’s 2002/2003 Annual Report.
- *“In January 2002 we set up the Restructuring Task Force, tasked with rebuilding the airline...The remedy proposed was...a rather ingenious one,...which deserves a place in management literature as a case study of corporate innovation.”* Dato’ Md. Nor bin Md. Yusof, Managing Director, Malaysia Airline System Berhad in his Report for the company’s 2001/2002 Annual Report.

# What they have said ...

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## Other Quotations (independent sources)

- *“Following the Widespread Asset Unbundling (“WAU”) restructuring exercise in late 2002, many investors have much positive expectations on MAS to deliver improved performance. We believe this has been the **single most important factor behind MAS’ strong relative share price performance vs. its peers in the region...MAS’ share price has consistently outperformed Singapore Airlines and Cathay Pacific**”* ECMLibra Analyst Report on MAS, 30<sup>th</sup> July 2004
- *“Free from its crippling debt burden through the widespread asset unbundling (WAU) programme, MAS has been spreading its wings across Asia.”* CLSA Asia–Pacific Markets Analyst Report on Asian Aviation, April 2004
- *“Malaysia Airline System Bhd is well on the road to recovery following its widespread asset unbundling (WAU) exercise which relieved it of huge debt obligations, resulting in yearly savings of RM450 million in interest expense...After five years of consecutive losses, the airline managed to return to the black for the first nine months ended Dec 31, 2002.”* The Edge Weekly, 19<sup>th</sup> March 2003
- *“Through the Widespread Asset Unbundling (WAU) scheme put together by BinaFikir Corporate Consultancy and enforced by (Dato’) Md. Nor, Malaysia Airlines is now **on track to achieving its target for a turnaround by next year.**”* The Edge Daily, 5<sup>th</sup> February 2003