



CORPORATE FINANCE: Enhancing Shareholder Value

Mr. T. Jeyaratnam
KAF Investment Bank



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All About You

7 Habits of Highly Effective People

- Be Proactive
- Begin with the End in Mind*
- Put First Things First
- Think Win-Win
- Seek first to Understand, Then to be Understood
- Synergize
- Sharpen the Saw

* There is a mental (first) creation, and a physical (second) creation. Then physical creation follows the mental, just as a building follows a blueprint.



* **Begin with the End in Mind**

Key Take Aways

- ❖ Develop more **effective and resilient strategies** for building and delivering incremental value, consistently, in today's competitive business environment
- ❖ The **building blocks of value creation** and innovation: discover the ideal model of decision-making best suited for your organization.
- ❖ Discover how you can heighten your organization's competitiveness by combining Corporate Social Responsibility with strategic insight.
- ❖ Learn and apply the best practice for profitable growth.
- ❖ Increase your ability to prepare for, navigate through, and learn from great leadership moments.



Enhancing “Shareholder” Value

- Investors (Public)
- Stakeholders (Customers, Bankers, Shareholders, Employees)
- Regulators (SC, Bursa Malaysia, BNM, etc)
- Community

Accounting irregularities demonstrated lack of credibility, integrity and independence

Satyam

“Balance sheets were over inflated by **\$1 billion**, and over reliance on information submitted by clients”

“Balance sheets were over inflated by **\$34 million**, and over reliance on information submitted by clients”

Oriental Century

“**Conflict of interest** as it was involved in both consulting and auditing for Enron and Arthur Anderson”

Enron

Madoff

“Auditors defrauded clients by approving **sham audits** as PCAOB does not require auditors of fund managers and brokerages to be inspected— such auditors not subject to fit and proper criteria

No different on the local front

Transmile

Amount of deviation –RM150m (FY 2005) & RM260m (FY 2006)

Welli Multi

- Provide misleading statement to Bursa
- Reported fictitious revenue increased to RM86m (3Q06)

GP Ocean

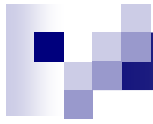
RM25.7m fictitious sales made to 4 customers (FY2006)

Energro

RM64m fictitious export sales (FY 2003)

Megan Media

Submitting false revenue of RM1b in financial statements (FY 2006)




The Tools

- Corporate Governance
- Corporate Social Responsibility
- Management Team
- Business Focus & Strategy
- Operational Analysis
- Industry Analysis
- Financial Performance



Corporate Governance

- A corporate governance system can be thought of as the **processes and structure** used to direct a corporation's business.
- Once implemented, an effective corporate governance system can help ensure an appropriate division of power among shareholders, the board of directors and management.
- Manager working with public companies are becoming increasingly aware of the importance of having good corporate governance practices and communicating these practices to investors and potential investors.



What is an effective Corporate Governance System?

- A. A robust and pragmatic governance framework provides a balance between accountability and responsiveness, between empowerment and organizational alignment, and between risk and return.

- B. Principles of Corporate Governance
Key elements of good corporate governance principles include honesty, trust and integrity, openness, performance orientation, responsibility and accountability, mutual respect, and commitment to the organization.



Commonly accepted principles of corporate governance include:

- **Rights and equitable treatment of shareholders**

Organizations should respect the rights of shareholders and help shareholders to exercise those rights. They can help shareholders exercise their rights by effectively communicating information that is understandable and accessible and encouraging shareholders to participate in general meetings.

- **Interest of other stakeholders**

Organizations should recognize that they have legal and other obligations to all legitimate stakeholders.



- **Role and responsibilities of the board**

The board needs a range of skills and understanding to be able to deal with various business issues and have the ability to review and challenge management performance. It needs to be of sufficient size and have an appropriate level of commitment to fulfill its responsibilities and duties.

- **Disclosure and transparency**

Organizations should clarify and make publicly known the roles and responsibilities of board and management to provide shareholders with a level of accountability. They should also implement procedures to independently verify and safeguard the integrity of the company's financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, factual information.



- **Integrity and ethical behavior**

Ethical and responsible decision making is not only important for public relations, but it is also a necessary element in risk management and avoiding lawsuits. Organizations should develop a code of conduct for their directors and executives that promotes ethical and responsible decision making. It is important to understand, though, and reliance by a company on the integrity and ethics of individuals is bound to eventual failure.



Corporate Social Responsibility

- Is a form of corporate self-regulation integrated to the business model. CSR policy is a self regulatory mechanism whereby business would monitor and ensure complying, ethical standards, and international norms. Embrace responsibility for the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public.
- CSR is the inclusion of public interest into corporate decision-making.

Triple bottom line: People, Planet and Profit.

BP – “Beyond Petroleum”

Sime Darby – “Developing Sustainable Futures”



Management Team

- Board of Directors / Board Committees
- Management – Business / Support Heads
- Risk Management
- Investor Relations



Business Focus & Strategy

- Business Focus
- Strategy
- Implementation
- Tracking



Operational Analysis

- Historical financial, operational and debt analysis, performance indicators, ratios, SWOT of the entity with Business and Support Heads with strong input from CFOs.



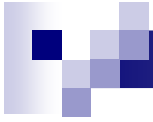
Industry Analysis

- Compilation and analysis of information and brainstorming with Business Heads on the economy, industry and competition with strong input from CFOs.



Financial Performance

- Improving cost structure
- Increasing revenues
- Increasing productivity
- Improve product quality
- Managing and Monitoring Risky Projects
- Capital structure decision Model – Debt / Equity



CASE STUDIES



Public Bank (Incremental Values)

- Prudent **management**, superior customer services.
- Strong **corporate governance**, corporate culture and **risk management**, solid asset quality.
- Strong Balance Sheet and huge Market Capitalization.
- Low **cost** to income ratio.
- **Industry leader** in home mortgage financing, vehicle hire purchase financing and commercial lending to small and medium-sized enterprises.
- Offering a wide range of **competitive and innovative** products and solutions to meet its customers' need.



Digi (Stable Values)

- Operational **efficiency** program – cost savings.
- strong growth in the industry for mobile services.
- Adopted good internal control and **risk management**.
- As a **leader** in prepaid services.
- Strong **cash flows**, healthy balance sheets and well articulated dividend policies.



YTL (Incremental Values)

- Consecutive gaining throughout the year.
- Acquisition-driven **growth strategy**.
- Improved its **operational performance** in increasing plant and logistical efficiencies.
- Has a long-standing commitment to **corporate governance** and protection of shareholder value.
- Healthy **cash reserve** and matching the financing of projects to their operating currencies.
- Focuses on developing and refining the **Group's Strategy**.



Conclusion

CFOs Thinking Beyond

- 7 Habits of Highly Effective People
- Key Take Aways
 - Effective & Resilient Strategies
 - Building Blocks of Value creation
- Enhancing “Shareholder” Value has to be holistic
- The Tools
- Sum of the Total Parts