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'FALLING FOREIGN INTEREST FORCED IPO REVISION'

Analysts say subdued interest in Malaysian equities a factor in reduced Lotte Chemical offering. Supriya Surendran has the story on Page 3.



'Falling foreign interest forced IPO revision'

Analysts say subdued interest in Malaysian equities a factor in reduced Lotte Chemical offering

BY SUPRIYA SURENDRAN

KUALA LUMPUR: Subdued foreign interest in Malaysian equity markets could have led to the reduction in the price and offering size of Lotte Chemical Titan Holding Bhd's (LCT) initial public offering (IPO), say analysts.

Foreign investor reception to the IPO was reported to be lukewarm, although on the local front, there was support from cornerstone investors such as Permodalan Nasional Bhd, Eastspring Investments Bhd, Great Eastern Life Assurance (M) Bhd, Maybank Asset Management Sdn Bhd and Maybank Islamic Asset Management Sdn Bhd.

MIDF Research in its fund flow report yesterday noted that foreign investors continued pulling out from Malaysia, albeit at a slower momentum, last week. As at last Friday, the net amount of Malaysian equities sold by foreigners stood at RM205.5 million, from RM296 million as at June 30.

An analyst, while confirming the declining foreign interest in Malaysian equities, said there were also specific reasons for the low level of interest with regard to LCT's IPO.

"Certain quarters opined that foreign interest [in the IPO] was low due to the technicality of LCT's business as the petrochemicals business is not one that everyone understands and can relate to," the analyst told *The Edge Financial Daily*.

"On top of it, there's the [correlation] to crude oil prices. As there is much uncertainty surrounding crude oil prices, risk appetite among foreign investors for a business like LCT's may not be huge," he said.

LCT announced last Tuesday a reduction in the IPO price to RM8.50 per share, which is at a discount of RM1.50 to the initial retail offering price of RM10. Meanwhile, the size of the offering was cut by 21.7% to

NAME OF COMPANY	LISTING DATE	LISTING PRICE (RM)	AMOUNT RAISED (\$M RM)	IPO SUBSCRIPTION
HLT Global Bhd	Jan 10	0.45	33.25	Oversubscribed by 24.64 times
Matang Bhd	Jan 17	0.13	16.9	Oversubscribed by 4.21 times
RIP Real Estate Investment Trust	Feb 06	1	234.15	Oversubscribed by 5.07 times
Serba Dinamik Holdings Bhd	Feb 08	1.50	504.1	Oversubscribed by 4.96 times
Eco World International Bhd	March 04	1.20	2.58	Oversubscribed by 8.87 times
Eversafe Rubber Bhd	April 21	0.36	28.08	Oversubscribed by 54.99 times
CabNet Holdings Bhd	May 22	0.56	11.76	Oversubscribed by 48 times
Inta Sina Group Bhd	May 25	0.25	33.45	Oversubscribed by 45.74 times
Advancecon Holdings Bhd	July 10	0.63	77.49	Oversubscribed by 10.28 times

Sources: Bursa Malaysia, news reports

580 million shares from 740.48 million shares.

Despite the downward revision, LCT's IPO is still the largest offering on Bursa Malaysia since 2012.

Other IPOs this year, which were smaller but managed to garner higher retail interest, include Eversafe Rubber Bhd (oversubscribed by 64.99 times) and CabNet Holdings Bhd (oversubscribed by 48 times).

Large corporations such as Serba Dinamik Holdings Bhd and Eco World International Bhd also saw their IPOs oversubscribed by 4.36

times and 8.87 times respectively.

Another analyst pointed out that LCT's business is not exactly new for

seasoned retail investors, given that the company was previously listed as Titan Chemicals Corp Bhd back in 2005, before it was delisted in 2011 following a takeover by South Korea's Lotte Group.

The institutional price of Titan's IPO in 2005 was RM1.85, which was at the lower end of the expected price range of RM1.85 to RM2.45, and that its retail price was 18% lower than its indicative retail price of RM2.17, due to the bearish investor sentiment back then.

"If you look back at history, [the] Titan IPO's final subscription price in 2005 had been scaled down, so it is no surprise that the 2017 IPO

of LCT has not garnered much retail interest.

"History aside, it is about the valuations that investors seek at the end of the day, as it is not unusual to see the final subscription price of an IPO being cut to reflect the price discovery process," said the analyst.

LCT saw only 61.87% of the retail portion of its IPO taken up, with applications received only for 34.51 million shares against 55.78 million shares set aside for retail investors.

The unsubscribed retail offering of 21.27 million shares, which were underwritten by the joint underwriters, were reallocated to the institutional offering.

As for the institutional offering, the size was slashed by 23.44% or 160.48 million shares from the original amount of 684.7 million shares to 524.22 million shares, which were all fully taken up.

The move cut down LCT's public shareholding spread from 30% to 25.13%, barely surpassing Bursa Malaysia's public shareholding spread requirement of 25%.

The revised IPO size, paired with the lower issuing price, cut the IPO proceeds to RM3.77 billion, from up to RM5.92 billion stated in the IPO prospectus.