

DATE : 31 JULY 2017
PUBLICATION : THE MALAY MAIL
SECTION : MONEY
HEADLINE : LIST COMPANIES WITH SOLID GROWTH TO WIDEN INVESTOR BASE
CATEGORY : MENTION
MEASUREMENT : 208CM²
TONE : NEUTRAL
REMARKS : NIL



Mohd Reza said that not all of the recent IPOs on Bursa are doing badly. Companies such as Eversafe Rubber and Serba Dinamik are performing strong above their IPO prices. — Picture by Bloomberg

List companies with solid growth to widen investor base

By Sharina Ahmad
sharinaahmad@mmail.com.my

KUALA LUMPUR — Companies with strong management that have good growth stories should be encouraged to be listed in Bursa Malaysia in order to regain confidence of investors, an academic recently said.

Sunway University Business school economics professor Yeah Kim Leng said that this has to be complemented by good quality research, and effective coverage and reporting, by the investment research community to widen the investor base.

He was commenting on the poor reception by investors on the recent initial public offerings (IPO) — alluding it to unattractive or over-pricing, inadequate earnings prospects, unexciting company or industry growth stories.

Asian Strategy & Leadership Institute (Asli) chief executive officer and director Tan Sri Michael Yeoh said that one of the attractions of IPOs is that it helps companies raise funds but there are other options for fundraising such as bonds or sukuk.

"IPOs have become less attractive as bonds enabled the companies to raise funds without diluting their control or equity stake in the companies," he said.

The Asli chief added that IPO pricing does not carry much margin for capital appreciation so the attractiveness of IPOs is lessened.

On what authorities could do to make the market attractive, he said that authorities need to create greater excitement in the market so people can make money from the stock market. "Market makers should be encouraged," Yeoh said.

MIDF head of research Mohd Redza Abdul Rahman said that the anticipation of a further upside on upward market movement, coupled with good economic outlook, would draw a bigger interest in IPOs.

"With the higher demand for IPO's would still be attractive to both retail and institutional investors," he said.

On the 11 IPO's listed in 2017, Mohd Reza said that not all 11 IPOs listed in 2017 are in the red.

"Five IPOs are in the red as of today's closing prices. Yet, IPOs such as Advancecon Holdings Bhd, Serba Dinamik Holdings Bhd, Inta Bina Group Bhd, Cabinet Holdings Bhd and Eversafe Rubber Bhd still able to seek out double digit percentage above its IPO prices.

There are a number of initiatives such as listing through Bursa's ACE market and Leap market.

Yeah said that the listed companies form only a small portion of the more than 700 thousand companies in the country and their performance on Bursa is not reflective of the broader economy.

"Their overall performance, therefore, are not representative of the overall economy except for the large listed firms which are dominant industry leaders, such as those in financial services," he said.

On the outlook of Bursa, Mohd Reza said that the economy is improving as Malaysia had upgraded its GDP forecast from 4.9% to 5.1%.

He said that expected returns from equity sales were higher than those of bank loans, and it would be wise if companies go for listing by providing investor relations services to its shareholders.

The MIDF head of research said that companies could also benefit from listing its shares with the ability to utilise the proceeds to generate higher returns than shareholder expectations.