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# Rebound of the IPO market

*Global economic uncertainties and the lacklustre performance at Bursa forced companies to rethink their fundraising strategies and 2017 could see a more 'exciting' fundraising activities via IPOs*

by DASHVEENJIT KAUR

LAST year was a muted year for capital fundraising especially through initial public offering (IPO). For the 12-month period, companies only raised about RM1 billion from 11 IPOs and one reverse takeover.

This is a far cry from the RM4.7 billion and RM4.1 billion raised in 2015 and 2014 respectively.

Global economic uncertainties — Brexit, US presidential election — and the lacklustre performance at the local bourse forced companies to rethink their fundraising strategies.

While uncertainties remained high, this year would see more "exciting" fundraising activities being conducted through IPOs.

The impending listing of Eco World International Bhd (EWI) is expected to raise about RM2.5 billion. It will likely become the the biggest IPO this year.

Speculation on the re-listing of QSR Brands Bhd, the country's largest operator of fast-food chain, has also given additional impetus to investors. QSR Brands operates and manages the KFC and Pizza Hut restaurants in Malaysia and sole franchisee in Singapore, Brunei and Cambodia.

Analysts expect if the listing does go ahead, QSR could raise about RM1.6 billion from the exercise.

Market observers expects IPOs this year would rebound to around RM5 billion, or scale up to RM7 billion after hitting a 10-year low.

While a volatile ringgit and slower economic growth had influenced the course of IPO volumes last year, fundraising could jump to at least RM7 billion this year, according to MIDF Amanah Investment Bank Bhd.

"Based on the historical figures, it looks possible that the amount raised from the IPO could reached above RM7 billion in 2017.

"And looking at the trend over the past years, we could possibly see between 15 IPOs if the market continues to exhibit a positive uptrend," MIDF deputy head of research Mohd Redza Abdul Rahman told *The Malaysian Reserve (TMR)*.

According to Mohd Redza, EWI, which is considered the largest IPO this year, could raise RM2.58 billion from the issuance of 2.15 billion new shares.

The retail offering comprises 408 million shares — representing 17% of the enlarged issued and paid-up share capital of EWI post-listing.



*(From left) EWI executive vice chairman Tan Sri Liew Kee Sin, chairman Tan Sri Azlan Mohd Zainol and Teow at the EWI Prospectus launch in Kuala Lumpur on March 9. Teow said the retail offering is priced at RM1.20 per share, while the institutional offering of up to 449.5m shares will be priced based on book building*

Of the 408 million shares, 48 million shares — representing 2% of the enlarged issued and paid-up share capital of EWI — have been allocated for the Malaysian public.

EWI president and CEO Datuk Teow Leong Seng said the retail offering is priced at RM1.20 per share, while the institutional offering of up to 449.46 million shares will be priced based on book building.

Affin Hwang Investment Bank Bhd head of equity capital markets Arvin Chia said with the listing of Serba Dinamik Holdings Bhd last February and the upcoming listing of EWI, the total IPO for the first-quarter (1Q) of 2017 could reach RM3.16 billion.

Serba Dinamik raised RM584 million from its IPO, the country's biggest listing in 19 months.

"However, these two deals were capital raising plans from last year that have been pushed to this year. So in a way we started 2017 with a bang," Chia told *TMR*.

"Coming from a very low base last year, the IPO market is considered to be doing great for now and I am positive for the rest of the year," Chia said.



*Mohd Bakke says his target is to list its plantation and property units on Bursa Malaysia at the end of 2017 or early 2018*

Chia also expects QSR Brands as another billion-ringgit IPO that may opt for relisting in 3Q or 4Q this year.

Adding to that, MIDF believes that there may be a potential listing of Axiata Group Bhd's wholly owned subsidiary, Edotco Group Sdn Bhd,

which targets to raise RM2.2 billion.

"In addition of QSR Brands and Axiata's Edotco possible listings, there would potentially be listings of spin-off companies from conglomerates.

"To date, we have already seen the Sime Darby Bhd demerger in the

making, and also potential spin-off of AirAsia Bhd's subsidiaries," said Mohd Redza.

Early this year, Sime Darby announced the spin-off of its plantation and property businesses, which will eventually see three different listed entities — Sime Darby Plantation Bhd, Sime Darby Property Bhd and Sime Darby Bhd.

The company's president and group CEO Tan Sri Mohd Bakke Salleh said his target is to list its plantation and property units on Bursa Malaysia at the end of this year or early next year.

AirAsia Group founder and CEO Tan Sri Dr Tony Fernandes also disclosed that the group is considering spinning off Asia Aviation Capital Ltd at some point; a move which is expected to help reduce its growing debt pressure.

Among other large IPOs expected this year, according to Chia, is KIP Real Estate Investment Trust (KIP REIT), which is en route to a listing on the Main Market of Bursa Malaysia Securities Bhd.

"KIP REIT is expected to raise RM234.2 million from its IPO, another sign that the IPO market is on an upward trend," he said.

While there has been a declining trend in terms of the amount of IPO funds raised over the last few years, Chia said there has actually been an increase in the number of smaller IPOs on the Main or ACE Market.

"As seen over the last two to three years, the larger IPOs have not done too well, post-listing with a sizeable number of them trading below their IPO prices.

"Benchmark this with the performance of the smaller IPOs, of which 80% of those listed over the same period are trading above their IPO prices, with post-listing gains ranging between 4% and 100%," Chia said.

When asked if the trend may continue, Chia believes it will as he sees great participation from small- and medium-sized enterprises (SMEs) in obtaining initial IPOs as they are quite receptive towards the fundraising exercise.

"Channel checks with industry peers coupled with our bank's own pipeline indicate that there are a good number of SMEs looking to list on Bursa this year and in 2018.

"Although last year was not a stellar year for IPOs, there are bigger and more IPOs in the pipeline in 2017," Chia said.