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# Local bourse listings raise RM7.4b last year

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IPO process requires a lead time of anywhere between six and 12 months before hitting the market.

"Hence, corporates should proceed with their fundraising activities and not be short-sighted because of market fluctuations," he says.

The *EY Global IPO Trends* report for 4Q 2017 says that Asean saw a strong performance last year, driven by activity in the Thai, Indonesian and Singapore exchanges which pushed the number to 104 from 77 IPOs in 2016.

Huray says this trend is poised to continue into the year, with the Asian growth story being intact despite equity market volatility.

He believes demand for IPOs should remain encouraging, so long as there is still ample liquidity in the hands of institutional funds and high net worth individuals.

With Malaysia's gross domestic product registering a growth of 5.9% last year and the outlook for this year anticipated to be on par with that of last year, Huray expects the IPO market to remain strong.

He reasons that companies will want to expand during favourable market conditions, and accordingly, the equity and capital markets present a viable fundraising platform.

"Consequently, there will always be conducive periods during a year to launch an IPO," he says.

Huray stresses that demand for IPO offerings will be present if they are priced correctly.

"We will see demand from portfolio managers for stocks with good growth potential or strong dividend yields, even during challenging market conditions. This is due to their long-term investment horizon," he says.

Grant Thornton Malaysia senior partner and audit practice leader Hooi Kok Mun is also very optimistic about this year's IPO outlook, given the order book the company currently has in hand.

"I expect to see more companies listed this year. Our firm alone is already working on a few projects for listing on the Main Market, ACE Market and even LEAP, and they are at various stages of submission to the regulators," he says.

He advises companies seeking to list not to postpone their plan to a later date because of concerns about the equity market volatility.

"We must bear in mind that the whole process to list a company may take at least a year from its inception.

"I believe it is a good time to start preparing now if one is planning to list on Bursa," he says.

## IPO performance

Although last year's 13 Bursa listings – five on the Main Market, six on the ACE Market and two on the entrepreneur-driven LEAP Market – was only one more than 2016, they collectively raised RM7.4 bil.

This was thanks to three major listings – Lotte Chemical Titan Holdings Bhd (RM3.77 bil), Eco World International Bhd (RM2.58 bil) and Serba Dinamik Holdings Bhd (RM584.1 bil).

The figure compares with the RM596.6 mil raised in 2016, which has often been described as an exceptionally bad year for IPO fund-raising.

It was also a year which saw a net foreign fund outflow of RM3 bil from the local bourse. Still, it was much lower than the high outflow of RM19.5 bil in 2015.

In contrast, last year recorded a

net inflow of RM10.33 bil while as of Feb 23, foreign investors accumulated local equities worth RM2.1 bil net or 61.5% higher than the RM1.3 bil bought in the same period last year.

## Concerns

On whether there is a need to remedy the fixed-price mechanism for IPOs, Huray says allocations are typically made once the placement tranche is fully covered.

"As such, in most cases, investors are informed of their allocation before they are required to make any payment."

On concerns surrounding IPO issuers, Huray says although short-term markets can be volatile and sensitive to global factors, equities as an asset class have generated returns for investors on a long-term basis.

"The FTSE Bursa Malaysia KLCI Index is up almost 5% year-to-date (as of Feb 27).

"Before participating in any IPOs, investors should carefully weigh the merits of the company and its risk appetite in context to the near-term market volatility and future market outlook," he says.

Huray is satisfied with the supervisory role of market regulators in ensuring IPO issuers disclose vital information that might affect investors' decisions to subscribe to the IPOs.

"As per the stringent regulations by the Securities Commission (SC) and Bursa Malaysia Securities Bhd, all material information is required to be disclosed in the prospectus.

**FocusM**

**Hooi foresees more equity market activities once the election is over**

