

27 DEC, 2021

# Malaysia's IPO market defies equity bears, returns to pre-pandemic levels

The Edge, Malaysia

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BY KANG SIEW LI

After a slowdown in 2020 because of the Covid-19 pandemic, the initial public offering (IPO) market in Malaysia recovered to pre-pandemic levels, registering 30 new listings this year from 19 last year.

Bursa Malaysia statistics show that the number of IPOs was 58% more than in 2020, with total funds raised through fresh issuance of shares and offer-for-sale of equity shares by existing shareholders increasing by 30% to RM2.59 billion from RM2 billion last year.

The IPO growth in 2021 took place against the backdrop of a year that saw a significant lift in the number of retail investors who had sought short-term gains in assets offering higher returns, specifically in glove and technology-related counters, says Koh Huat Soon, head of research at Kenanga Investment Bank.

"In hindsight, a lot of things were working for the market [such as] interest rates were low, banks were giving a moratorium on loan payments, liquidity was strong because the statutory reserve requirement ratio was cut [by 100 basis points to 2% in March 2020] and there was the convenience of on-line broking. Small-cap stocks also did well in 2020," he tells *The Edge*.

"All these helped pave the way for stocks to climb to new highs and gave companies confidence to go public in 2021. The pandemic was also expected to ease.

"That's why we saw a higher number of IPOs this year as it was riding the positive [stock market] performance in 2020," he adds.

Main Market IPOs made a strong comeback this year, with seven listings led by CTOS Digital Bhd (RM1.21 billion) and IGB Commercial Real Estate Investment Trust (RM450.31 million). The LEAP Market led the way in terms of the number of IPOs with 12 listings, followed by 11 on the ACE Market.

Wong Kar Choon, who leads the IPO team at Deloitte Malaysia, is of the view that Malaysia's IPO market performed "relatively well" this year, given that the country saw a change in government and Covid-19 cases were at an all-time high at one point.

"We raised about US\$180 million (RM790 million) [through new-share offers] in the first 10% months of this year. This surge was driven by cornerstone investors, coupled with an abundance of uninvested capital. The ACE Market is still the favourite market for companies that are going for listing and there is also a trend of an increasing number of listings on the LEAP Market," he said in last month's presentation to the media on Deloitte's 2021 Southeast Asia IPO Market Performance and Outlook.

Performance of new listings as at Dec 20, 2021

COMPANY	MARKET	IPO PRICE (RM)	LISTING DATE	AMOUNT RAISED (RM MIL)**	CLOSING PRICE ON LISTING DATE (RM)	% CHANGE (CLOSING PRICE VS IPO PRICE)	SHARE PRICE ON DEC 20 (RM)	YTD CHANGE (%)
HPP Holdings Bhd	ACE	0.36	Jan 20	39.12	0.710	97.22	0.470	-33.80
Jishan Bhd	LEAP	0.18	Feb 8	0	0.230	27.78	0.470	104.35
Mobilia Holdings Bhd	ACE	0.23	Feb 23	23.00	0.555	143.30	0.195	-38.51
Teladan Setia Group Bhd	ACE	0.48	March 16	96.89	0.570	18.75	0.610	7.02
UCI Resources Bhd	LEAP	0.15	March 23	5.01	0.185	23.33	0.270	45.95
Flexidynamic Holdings Bhd	ACE	0.20	March 30	15.05	0.430	115.00	0.450	4.65
Volcano Bhd	ACE	0.35	April 4	21.00	0.485	38.57	0.440	-9.28
BV Land Holdings Bhd	LEAP	0.19	April 9	2.58	0.300	57.89	0.300	0.00
OneTech Solutions Holdings Bhd	LEAP	0.20	May 4	1.54	0.260	30.00	0.550	111.54
Tuju Setia Bhd	Main	0.70	May 19	74.90	0.740	5.71	0.455	-38.51
RTS Technology Holdings Bhd	LEAP	0.16	June 11	0.85	0.160	0.00	0.165	3.13
OM Holdings Ltd	Main	2.57	June 22	0	2.830	10.12	2.650	-6.36
Pekait Group Bhd	ACE	0.32	June 23	54.69	0.815	154.69	0.680	-16.56
Nestcon Bhd	ACE	0.28	June 29	54.08	0.320	14.29	0.380	18.75
NovelPlus Technology Bhd	LEAP	0.15	July 1	6.00	0.275	83.33	0.275	0.00
Ramssol Group Bhd	ACE	0.45	July 13	35.13	0.510	13.33	0.780	52.94
Yenher Holdings Bhd	Main	0.95	July 15	100.88	0.900	-5.26	0.840	-6.67
CTOS Digital Bhd	Main	1.10	July 19	1,210.00	1.620	47.27	1.720	6.17
Haily Group Bhd	ACE	0.68	July 21	32.64	0.740	8.82	0.450	-39.19
DynaFront Holdings Bhd	LEAP	0.21	July 23	2.52	0.260	23.81	0.270	3.85
Lim Seong Hal Capital Bhd	LEAP	0.13	July 30	0	0.280	115.38	0.400	42.86
Carzo Holdings Bhd	LEAP	0.285	Sept 9	0	0.935	228.07	1.710	82.89
IGB Commercial Real Estate Investment Trust	Main	1.00	Sept 20	450.31	0.700	30.00	0.595	-14.97
CEKD Bhd	ACE	0.48	Sept 29	24.28	0.545	13.54	0.715	31.19
Steel Hawk Bhd	LEAP	0.20	Oct 29	3.20	0.500	150.00	0.750	50.00
Ecomate Holdings Bhd	ACE	0.33	Nov 8	26.07	0.485	46.97	0.465	-4.12
Sumrow Holding Bhd	LEAP	0.50	Nov 25	0	0.690	38.00	0.950	37.60
Alpha Ocean Resources Bhd	LEAP	0.30	Dec 8	3.00	1.280	326.70	1.28	326.70
Aurelius Technologies Bhd	Main	1.36	Dec 16	141.26	1.700	25.00	1.700	0.00
Swift Haulage Bhd	Main	1.03	Dec 21	161.9	NA	NA	NA	NA

\*\*Amount raised includes offer for sale allocation and new shares

Sectorally, industrial products played an important part in the IPO revival with seven listings as at Nov 15, 2021, followed by real estate IPOs at six and technology, media and telecommunications at five.

"One of the reasons why we saw more real estate IPOs this year was probably the result of the economic recovery from the pandemic and the process of things starting to get back to normal and the government kick-starting the economy through spending on infrastructure projects.

"From the tech, media and telecommunications sectors' perspective, we have also seen an increase from two IPOs [in 2020] to five this year. This is not surprising as there is a growing number of technology-based start-ups and companies looking to increase their presence and capacity to tap the capital markets. We will continue to see growth in this sector in the years to come in line with the Capital Market Master Plan 3 (CMP3) announced by the Securities Commission Malaysia (SC) recently," he added.

Meanwhile, Wong attributed the lower total proceeds raised as at Nov 15 this year, of US\$180 million compared with US\$490 million last year, to a major block-

buster IPO in MR D.I.Y. Group (M) Bhd, which raised about RM1.51 billion in 2020.

"Having said that, if you combine the offer for sale of RM990 million and the issuance of new shares amounting to RM220 million, it brings the total proceeds raised by CTOS to RM1.2 billion (US\$300 million) this year. This is quite impressive considering that this is still a pandemic year. This proves that there are funds out there with the support of cornerstone investors. It is just waiting for the right IPO to purchase.

"Secondly, we do have an impressive pipeline of potential IPOs. The SC website shows that there are currently 24 prospectus exposures, of which seven are potential issuers for the Main Market and 17 for listing on the ACE Market. That gives me a lot of confidence that there are a lot of equity deals going on. I continue to get a lot of IPO enquiries, especially from tech companies that are looking to tap the capital market via special purpose acquisition companies (SPAC) in the US, thus providing me a lot of comfort that Malaysia's IPO market remains vibrant," Wong said.

The queue of listings on Bursa next year include Coraza Integrated Technology Bhd, Siab Holdings Bhd, MTT Shipping and Logistics Bhd and Farm Fresh Bhd.

Kenanga Investment Bank's Koh concurs. "Considering how the stock market has been quite bad this year, to get more companies to go public this year than in 2020, it is not bad. The promoters should pat themselves on the back for having been able to draw enough interest to get these IPOs off the ground despite the challenges."

Looking ahead to 2022, it will likely be a challenging one, he says.

Koh notes that inflation risks and the spread of new Covid-19 variants may hamper the stock market next year. The benchmark FBM KLCI had fallen 6.8% year to date to close at 1,493.90 points on Dec 20, 2021.

### IPO market bottoms out, recovery continues in 2022

According to Wong, 2022 will be a year of recovery from the pandemic.

"I continue to see more companies seeking equity funding through IPOs in 2022, supported by the IPO pipeline, the CMP3, digitalisation of operations and over-

all recovery of the economy from Covid-19 where the country's gross domestic product is expected to grow by 3%-5%. As we keep an eye on the macroeconomic impact of fiscal and regulatory policies — including sustainability reporting — on global markets, we expect 2022 to be a busy year," he said.

An investment banker, who asked not to be named, believes the local IPO market has bottomed out in 2021.

"There is no shortage of companies that want to list, but now it is for our ecosystem to facilitate this growth. I think there will be an increase in the number of companies seeking a listing on the Main Market next year, but likely still more ACE Market listings," the investment banker tells *The Edge*.

"Now, the challenge is for Bursa to attract tech companies to list here. That's where the excitement is. If we don't open our arms to this type of companies, then Bursa will remain stuck with companies in the property, construction, oil and gas and plantation sectors, where there have been a lot of environmental, social and corporate governance (ESG) issues surrounding these industries of late," he notes. He expressed hope that ACE Market IPO applicants will now be subject to less stringent requirements as Bursa becomes the sole approving authority beginning Jan 1.

"If you talk about unicorns (start-ups with at least a US\$1 billion valuation), tech companies and start-ups, they won't consider listing here because we have parameters in place which make it difficult for them to qualify," he says.

On Dec 16, the SC announced revisions to the equity guidelines in its 12-year-old SPAC framework starting Jan 1, as more regional bourses like Singapore and Hong Kong establish SPAC listing rules and race to draw in high-growth firms from abroad as well as locally to raise capital. One of the revisions is the reduction of the minimum SPAC IPO size from RM150 million to RM100 million.

### Global IPOs highest in 20 years — EY

With 2,388 deals raising US\$453.3 billion, 2021 has become the most active year for global IPOs in the past 20 years, revealed the 2021 EY Global IPO Trends report published on Dec 16. Year on year (y-o-y), global IPO activity was up 64% and 67% by deal numbers and proceeds respectively.

"The US continues to play a dominant role in driving this record global IPO year, while the contribution from Asia-Pacific has been steady but relatively modest as compared to 2020," said EY.

Going forward, EY said ESG will be a key theme in 2022 for IPO candidates and investors alike. "The technology sector will continue to dominate across all regions. In Asia-Pacific, the emphasis will be on hardware more than software."