

# IPO momentum holds steady despite Covid-19 setback

STORIES BY **CHERYL POO**

Coming off last year’s high, the flat-tish performance of the local stock exchange in the last quarter may have blown many a lofty year-end target off course. Yet surprisingly, the IPO market continues to see encouraging interest thus far.

As at July 2, 20 IPOs are within sight for the year. Already 15 have made their debut on Bursa Malaysia and another five have launched their prospectus with listing dates within the month.

Of the total, the ACE Market has nine IPOs, while the LEAP Market has six and Main Market five. A total of RM388.65 million has been raised from the 14 IPOs, excluding those from the LEAP Market so far.

With some luck, there may be more, given that the Securities Commission Malaysia (SC) expects a “healthy pipeline” of around 30 IPOs for the year, as going public continues to be regarded as a good way for companies to raise funds to expand as well as to improve their corporate standing.

Considering the impact of the Covid-19 pandemic on the economy for the past 18 months and counting, the steady IPO pipeline conforms to earlier predictions of a continuing momentum from last year’s 19 listings. In 2019, there were 30 IPOs and the year before, 22.

Mercury Securities owner and managing director Chew Sing Guan observes that the inflow of IPOs this year could simply be due to a backlog from the Movement Control Order (MCO) in March 2020.

Ramesh Manimekalanandan, managing director and head of regional equity capital markets at Maybank Investment Bank Bhd, tells *The Edge* that several firms, which are in the submission process, are gunning to launch their IPOs before the year-end.

## Major listings of 2021

Notable planned listings include those of IGB



Commercial Real Estate Investment Trust (REIT) and credit reporting agency CTOS Digital Bhd (formerly CTOS Holdings Sdn Bhd).

IGB Commercial REIT’s flotation will involve the listing of 2.31 billion units on Bursa Malaysia’s Main Market under a corporate exercise that comprises a restricted offering of up to 945 million units and an institutional offering of at least 282 million units in the property trust. Upon listing, the property trust is expected to have a market capitalisation of RM2.31 billion based on the price of the restricted offer-for-sale units at RM1 each.

The IPO of IGB Commercial REIT is mainly geared towards the shareholders of IGB Bhd, given that they will get first dips at the restricted offer of sale shares, before the unsubscribed portion is offered to others.

CTOS Digital plans to raise RM1.2 billion from its public share sale at the offer price of RM1.10 apiece.

“I have never seen so much interest in an IPO,” says Ramesh of the CTOS flotation. “The fact that this deal is bringing in both local and foreign investors is really incredi-

ble. As for IGB REIT, it is a good-quality REIT, with investors feeling that this is a [boat that cannot be missed]. They are holding this out for good returns.”

Constituting the largest number of institutional investors in a Malaysian IPO, a total of 23 cornerstone investors including the Employees Provident Fund, Permodalan Nasional Bhd, Aberdeen Standard Investment, AIA, Eastspring Investments, FIL Investment Management and JP Morgan Asset Management are participating in the institutional offering of the CTOS IPO.

CTOS’ IPO entails the public issue of 200 million new shares and an offer for sale allocation of 900 million existing shares. Ramesh says the demand for the credit rating agency’s shares is even greater than that of Mr DIY Group (M) Bhd, which debuted on the Main Market last October to considerable success. Shares in the home improvement company, which retailed at RM1.60 a share, hit a high of RM4.25 on April 6, but have since slipped to RM3.59 as at last Wednesday.

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## Performance of IPOs in the first half of 2021

COMPANY	MARKET	IPO PRICE (RM)	DATE OF LISTING	FIRST DAY CLOSING PRICE (RM)	JULY 1 CLOSING PRICE (RM)	AMOUNT RAISED (RM MIL)
HPP Holdings Bhd	ACE	0.36	Jan 1	0.71	0.52	39.12
Mobilia Holdings Bhd	ACE	0.23	Feb 23	0.56	0.42	23.00
Teladan Setia Group Bhd	ACE	0.48	March 16	0.57	0.60	96.89
Flexidynamic Holdings Bhd	ACE	0.20	March 30	0.43	0.40	15.05
Volcano Bhd	ACE	0.35	April 6	0.49	0.44	21.00
Tuju Setia Bhd	Main	0.70	May 19	0.74	0.53	74.90
OM Holdings Ltd*	Main	2.57	June 22	2.83	2.90	0
Pekat Group Bhd	ACE	0.32	June 23	0.82	0.80	54.69
Nestcon Bhd	ACE	0.28	June 29	0.32	0.34	54.08

\*Secondary listing of shares with primary listing on the ASX

# More ACE Market listings this year than in 2020

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IGB Commercial REIT claims its property trust will be the sixth-largest Malaysian REIT and the largest stand-alone office REIT by market capitalisation, net lettable area and appraised value.

Before the demand for rubber gloves cools further, a couple of glove makers are attempting to jump on the Covid-19 bandwagon.

Local glove maker Harps Holdings Sdn Bhd, whose listing had been greatly anticipated since last year’s mega rally on glove stocks, will reportedly raise RM2 billion in its IPO. Currently, its flotation is understood to be awaiting approval to debut in 3Q.

“Harps is still working out its pricing, which is likely to be above RM1 billion. As the glove market is very volatile, we can’t be sure whether the value will be upward of RM2 billion to RM3 billion,” an insider with knowledge of the matter tells *The Edge*.

Another glove maker eyeing a Bursa listing is Smart Gloves Corporation Sdn Bhd, which is seeking to raise about RM1 billion.

Also likely to pique investor interest is The Holstein Milk Co Sdn Bhd (THMC). According to people with knowledge of the matter, the dairy products manufacturer, in which Khazanah Nasional Bhd has a stake, is understood to have made good progress on its IPO submission and may debut on Bursa by the third or fourth quarter.

THMC, which, according to Malaysian Rating Corp Bhd (MARC), has a healthy domestic market share of 15.6% in milk products and was the second-largest dairy player in the country as at January, is said to have proposed a RM1 billion Islamic bond issue under the Sukuk Wakalah programme.

“The slow economy has not affected Holstein’s desire to list this year. They would have debuted last year, which was a worse time, but the submission process takes time. Therefore, they are looking at 3Q,” a source says.

Another IPO to look out for in 2H is that of hospital operator Ramsay Sime Darby Health Care Sdn Bhd. Set up in 2013 to hold Sime Darby Bhd and Ramsay Health Care Ltd’s combined portfolio of hospitals in Southeast Asia, Ramsay Sime could reportedly raise up to US\$300 million (RM1.2 billion) in its flotation exercise.

“[These] companies will try to launch

their IPOs this year, as they see it as a strategic decision and, timing-wise, it just so happened that many decided to begin their [submission] process last year. I don’t foresee any [unusual] delays to their [listing plans],” Ramesh says.

He points out that the IPO process takes about nine months to 1½ years and that issuers tend not to rush the process since it is unrealistic to do so. One so-called potential listing is that of Iskandar Waterfront Holdings Sdn Bhd, for which there has been little word on its progress.

Away from the glare of the Main Market, the ACE Market continues to see good traction as seen in the recent listing of Pekat Group Bhd on June 23.

The IPO of the solar photovoltaic (PV) and earthing and lighting protection (ELP) specialist was oversubscribed by 76 times. Lucky subscribers at the issue price of 32 sen a share were amply rewarded when the counter made its debut at 85 sen before closing the day at 81.5 sen. At its intraday high, the shares surged nearly threefold to 93 sen.

Construction services provider Nestcon Bhd’s debut on the ACE market was less electrifying but still profitable. Issued at 28 sen apiece, the counter opened two sen higher and added a further two sen to close at 32 sen for a gain of some 14%.

Upcoming ACE Market debutants include human capital management solutions and technology provider Ramssol Group Bhd (July 13) and building contractor Haily Group Bhd (July 21).

“ACE Market IPOs generally do well, but as we can see, certain sectors in the market are [extra] bullish. When in the ‘right sector’, the share price can easily spike 100%,” observes M&A Securities Sdn Bhd managing director of corporate finance Datuk Bill Tan. His list of market trends to watch out for in the IPO market includes semiconductors, renewable energy and gloves.

Industry insiders say the rate of ACE Market listings this year is better than that of 2020, which bodes well for strong retail participation and indicates exciting days ahead for investors with pent-up reserves.

As for the IPO outlook in 2022, Chew says: “The feeling is that, with interest from the local investing public, [investor] appetite won’t be severely curtailed as long as [companies] are able to manage their profit and loss [statements] this year.”

M&A Securities’ Tan is more cautious, as he expects that setbacks posed by long-standing movement lockdowns will inflict some damage on companies. **E**

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## Upcoming IPOs for 2021

COMPANY	MARKET	IPO PRICE (RM PER ORDINARY SHARE)	DATE OF LISTING
Ramssol Group Bhd	ACE	0.45	July 13
Yenher Holdings Bhd	Main	0.95	July 15
CTOS Digital Bhd	Main	1.10	July 19
Haily Group Bhd	ACE	0.68	July 21
IGB Commercial Real Estate Investment Trust	Main	1.00	July 30 (tentative)
The Holstein Milk Co Sdn Bhd*	Main	TBA	TBA
Harps Holdings Sdn Bhd	Main	TBA	TBA
Smart Gloves Corporation Sdn Bhd*	Main	TBA	TBA
Ramsay Sime Darby Health Care Sdn Bhd*	Main	TBA	TBA
Iskandar Waterfront Holdings Sdn Bhd*	Main	TBA	TBA

\*Main Market-bound but yet to submit application