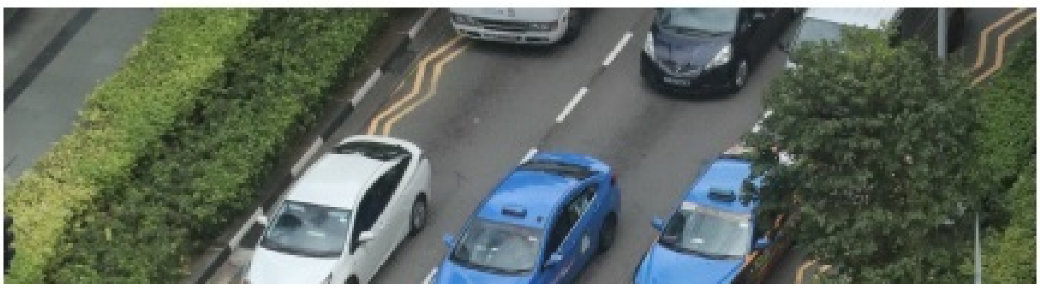
Equity capital markets watch

Singapore: 2018 year in review

December 2018



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2018 IPO funds raised on SGX falls to its second lowest since 2008

Singapore, 20 December 2018– Singapore's race for new and big listings will remain intense. With the exception of 2015 which was marred by declining global oil prices and increased competition from other Southeast Asian bourses, 2018 has raised the lowest IPO funds in the past decade due to factors such as the US-China trade tension and rising interest rates.

Launched today, PwC's 'Equity Capital Markets Watch – Singapore: 2018 year in review' found that Singapore's 2018 performance has fallen from 2017's stellar showing. As of 19 December 2018, the city-state raised approximately

S$0.73 billion with 15 IPOs (three listings on the Mainboard and 12 listings on the Catalist Board). In contrast, 2017 raised S$4.7 billion with 20 IPOs (seven listings on the Mainboard and 13 listings on the Catalist Board).

Globally, the IPO market is feeling the full force of trade and geopolitical tensions, with a decrease in the number of IPOs from 1,081 for year-to-date (YTD) 30 September 2017 to 870 for YTD 30 September 2018.

Despite this, total proceeds raised had increased from US$141.4 billion for year-to-date (YTD) 30 September 2017 to US $160.6 billion for YTD 30 September 2018. The higher proceeds can be attributed to robust IPO activity in both the Americas as well as Hong Kong.

Tham Tuck Seng, Capital Markets Leader at PwC Singapore said:

“Singapore’s capital market activity is not spared from market volatility due to the openness of our economy and there are significant foreign funds under management here. But we see a silver lining; we still think that the IPO pipeline remains optimistic in 2019 given Singapore’s pro-business environment. SGX has in recent years also stepped up efforts to lure a greater number of IPOs. We can look forward to more fund raising activities in niche sectors such as REITs and BTs, Healthcare and F&B sectors.”

Healthcare and F&B sectors stepping into the spotlight; Technology continues to be area of focus

The Real Estate Investment Trusts (REITs) and business trusts (BTs) sector continues to be the strength of the Singapore bourse with S$422 million in proceeds. As of 19 December 2018, there are a total of 48 REITs and BTs listed in Singapore with a combined market capitalisation of S$91.7 billion. 42 out of 48 listed REITS and BTs are property trusts.

According to the Ministry of Trade and Industry, sectors including healthcare services and food services have grown year on year for all three quarters of 2018.

SGX saw four healthcare companies made their trading debut on SGX Catalist market in 2018 – Asian Healthcare Specialists, Hyphens Pharma Intl Limited, Medinex Limited (stocks closed on Day One above their IPO price by 48%, 6%

and 12% respectively) and Biolidics Limited (stocks closed on Day One below IPO price by 16%). Singapore's listed healthcare sector, as measured by the SGX All Healthcare Index, fared better than the STI performance by recording a smaller decline of 6% for YTD 19 December 2018.

The continued demand of the F&B industry is supported by its growing population size and increased usage of online food ordering and delivery services. The relatively attractive valuation of F&B counters in 2018 will also see F&B listings in 2019.

Technology sector listings will make their presence felt in 2019 when SGX's partnerships with Tel-Aviv Stock Exchange (TASE), NASDAQ and Third500 come to fruition. With an array of strategic partnerships entered into by SGX to facilitate access to the market, and the change in listing rules to accommodate companies with dual-class shares (DCS) structures, we expect to see more local market activities in 2019.

Delisting trend continues in 2018

In 2018, 24 companies delisted[1] from SGX following the same number of companies in 2017.

Between 2014 and August 2018, 30% of privatisation exercises was done through voluntary delisting, with 50% through general offers and buyouts and 20% through scheme of arrangement[2].

In November 2018, SGX launched a public consultation on rule changes to two aspects of voluntary delistings - the voluntary delisting resolution and the exit offer, with the intent to align the interest of the offeror and the shareholders, in particular the minorities.

Tham Tuck Seng, Capital Markets Leader at PwC Singapore added:

"Delisting of a company could be attributed to a number of reasons, including where privatisation is likely a continuation of the parent firm's corporation restructuring to streamline the group's organisation and pessimism in the market which may have carried over from 2017, due to the continued declining trading volume in the local equity market.

“If these proposed rule changes are adopted, shifting the voting power from offerors and concert parties to minority and independent shareholders, and potentially compelling a better exit offer may make it more challenging for companies to undergo voluntary delisting.”

Positive outlook despite competition from Asian bourses

According to the report, there has been relatively sizeable capital market activity in other ASEAN countries such as Thailand and Vietnam.

As of 15 December 2018, Thailand IPO market recorded 21 listings in 2018, raising a total of US$2.4billion. This was largely attributed to two large IPOs in October 2018 – Osotspa, a Thai conglomerate in F&B (US$0.4billion) and Thailand Future Fund, an infrastructure trust (US$1.3billion).

Investors have also been drawn to Vietnam's strong growth prospects, a privatisation drive by the government and successful private sector IPOs over the past two years. Vinhomes Joint Stock Company, the residential property arm of Vietnamese conglomerate VinGroup and took the sixth spot in the top 10 largest IPOs in Asia-Pacific, raising US$1.3 billion on the Ho Chi Minh stock exchange in May 2018.

Malaysia saw 21 listings in 2018 as of 15 December 2018, raising a total of US$0.2billion, comprising six technology companies and four healthcare companies in the technology and healthcare sector respectively. This affirms our view that increased competition from regional bourses could be expected.

The Hong Kong Stock Exchange (HKEx) welcomed the world’s largest IPO in August 2018 as telecoms tower operator China Tower Corporation Ltd raised US$7.5 billion in IPO proceeds. Further, in consideration of the expanding number of growth companies in Internet, high-tech and biomedical research and development industries, HKEx introduced a listing regime for weighted voting rights on 30 April 2018, which is largely similar to the DCS listing introduced by SGX.

In conclusion, Tham Tuck Seng, Capital Markets Leader, PwC Singapore, said:

“As the capital markets for other ASEAN countries continue to develop and stabilise, these bourses may progressively attract new listings, particularly of domestic companies. We foresee this trend to forge ahead in 2019, bringing about increased regional competition which may very well increase the overall capital market activity in the region. SGX will have to continue to be innovative and promote its various market initiatives to further differentiate itself as a preferred strategic location for capital fundraising in Asia.”

Notes to editors:

Kindly refer to the report below.

[1] SGX monthly statistics reports, January to November 2018

2 Voluntary delisting offer: SGX RegCo proposing shift of voting power to minorities, Business Times, Nov 2018

About PwC

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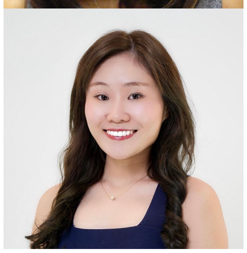

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