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Stellar showing in 2017 for IPOs in Singapore, best in four years

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Singapore, 3 January 2018 **–**The year 2017 ended with a good showing for the Singapore Exchange (SGX), with total funds raised through Initial Public

Offerings (IPOs) being the highest in the past four years. Launched today, PwC's '*Equity Capital Markets Watch – Singapore: 2017 year in Review*' found that total funds raised in 2017 came to S$4.7 billion, double that of 2016 at approximately S$2.3 million.

The SGX saw a total of 20 IPOs with seven listings on the Mainboard and 13 listings on the Catalist Board in 2017. SGX also welcomed the listing of NetLink NBN Trust, which raised approximately S$2.4 billion in gross proceeds, making it the largest IPO listing the Singapore equity capital market has seen in six years.

Figure 1. IPO fund raised by sectors in 2017 (S$ million, % of market share)

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

"The year 2017 was been a brilliant one for IPOs in Singapore. With the market upturn, we see that Real Estate Investment Trusts (REITs) and business trusts (BTs) continue to dominate the market making up 88% of total funds raised."

Follow-On (FO) funds raised

Last year (2017) saw a total of 30 follow-ons (FO), which raised a combined gross proceeds of approximately S$3.0 billion. FO performance in Singapore for 2017 was dominated by REITs and BTs, accounting for 81% of total FO funds raised the entire year. A total of 12 REITs and BTs from this sector engaged in FO activities in 2017, an increase from 2016 which saw 10 REITs and BTs engaged in FO activities.

Most of the funds raised by these REITs and BTs are expected to be used for the acquisition of new assets and the repayment of existing borrowings. In addition, rising interest rates are also causing debt financing to become increasingly expensive. It is therefore not surprising that real estate players are tapping on the equity market to finance new acquisitions and pare down their borrowings level.

Figure 2. FO fund raised by sectors in 2017 (% of market share, S$ millions)

Looking forward

The report states that REITs and BTs will likely continue to be the niche for SGX. The exchange has welcomed the listings of eight REITs and BTs since 2015, which combined raised a total of S$6.6 billion in gross proceeds, contributing to 85% of the total IPO funds raised over the past three years.

Singapore-listed property trusts have their strength going beyond the Singapore real estate market with investments in assets spanning across multiple jurisdictions. More than 75% of the listed property trusts invested in assets outside of Singapore. Notably, all property trusts listed in the past three years have 100% of their investments outside of Singapore. This is an encouraging sign as Singapore continues to remain as a listing destination of choice for overseas real estate players.

Another notable industry is the Food and Beverage (F&B) industry, which is now coming to the forefront. SGX welcomed the listing of three F&B companies in 2017, namely Kimly Limited, RE&S Holdings Limited and No Signboard Holdings Ltd. Combined, these three newly listed companies raised approximately S$90.3 million in total gross proceeds. Given the impressive performance of F&B counters in 2017, coupled with the cash business and nature of these companies, the report highlights the possibility of more F&B listings in 2018.

As technology has been a growing sector for SGX, the report points out a number of initiatives that SGX has undertaken to help technology companies and start-ups connect to the capital market. However, challenges to attract technology companies remain, especially when faced with competition against foreign stock exchanges such as Nasdaq and the New York Stock Exchange which both offer attractive valuations. In addition, SGX is also up against competition from private equity firms and individual investors that offer alternative funding opportunities.

Despite the overall stellar IPO performance in 2017, the report also found that the delisting trend continued with 24 companies delisted in 2017. Pessimism in the market may have been in part due to the declining trading volume and muted confidence in the local equities market. Furthermore, the low valuation of certain listed companies have created merger and acquisition opportunities to buyout these companies which led to their delisting from the exchange.

Lastly, SGX is expected to face more intense competition from the Hong Kong Stock Exchange (HKEx) with a key pull factor being the perception that the HKEx offers higher valuations and liquidity. With this, the number of Singapore-based companies listed on the HKEx has more than doubled in the past year, from six companies in 2016 to 13 in 2017, and PwC foresees that in 2018 local companies will continue listing on HKEx.

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

"As we live in a globalised world, local companies looking for growth will increasingly look beyond the Singapore market. As Singapore companies pursue growth in the region, SGX will face increased competition from regional bourses and must differentiate itself in order to continue to be a premier location for capital fundraising.

"We are seeing market sentiment improve and this should bode well for SGX. We hope the momentum will continue into 2018 as the local bourse continues to strengthen its core and grow in new areas."

Ends

Notes to editors:

1) This study was conducted between 1 January and 18 December 2017 for IPOs, and between 1 January and 22 November 2017 for FOs, based on their first trading date. All market data is sourced from the stock markets themselves and has not been independently verified by PricewaterhouseCoopers LLP.

2) Financial figures may differ due to exchange rate fluctuations.

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