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# Singapore IPO market 2020 Mid-Year Report

July 2020

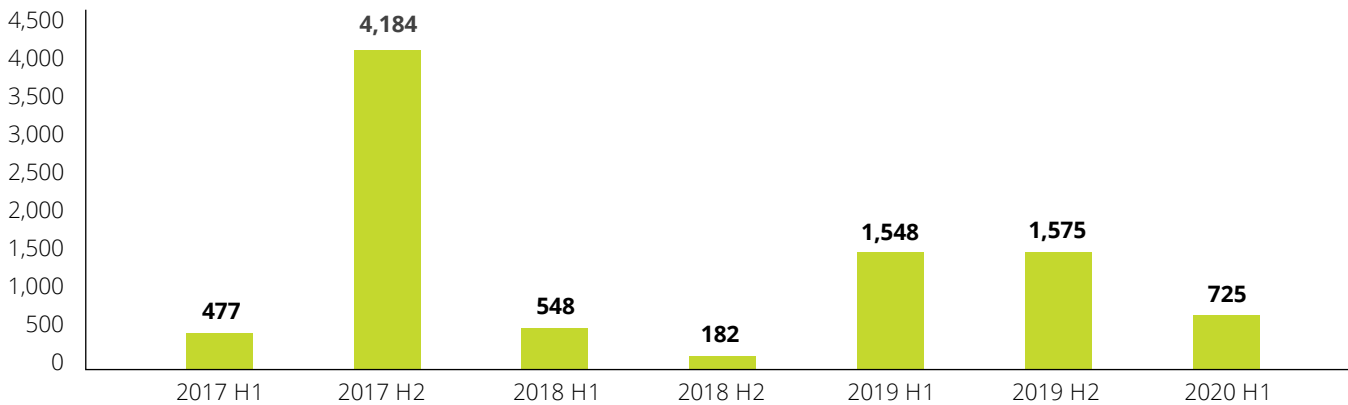


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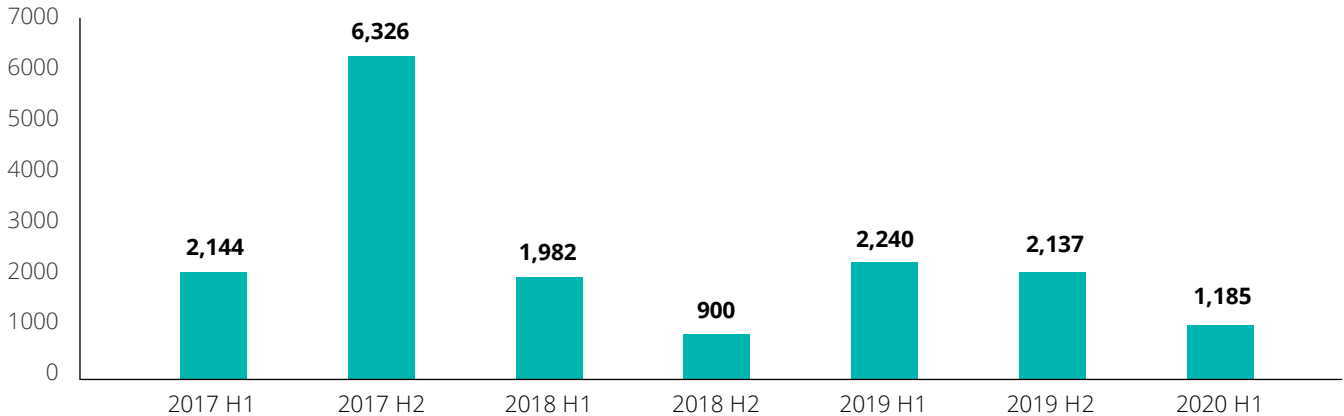
# Performance of IPOs on the SGX

Singapore saw **6** IPOs in 2020 H1, with **S\$725.04 million** in proceeds raised and an IPO market capitalisation of **S\$1.19 billion**. This registered a **53.2%** drop in funds raised from 2019 H1 which had 9 IPOs with S\$1.55 billion proceeds and an IPO market capitalisation of S\$2.24 billion.

**IPO amount raised (S\$m)**  
2017 H1 to 2020 H1

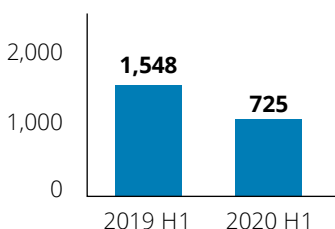


**IPO market capitalisation (S\$m)**  
2017 H1 to 2020 H1

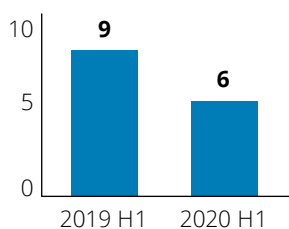


The IPO market in 2020 H1 has underperformed relative to both number of IPOs and total funds raised in 2019 H1.

**IPO amount raised (S\$m)**  
2019 H1 vs 2020 H1



**No. of IPOs**  
2019 H1 vs 2020 H1



The funds raised in 2020 H1 are mainly contributed by the two Real Estate Investment Trusts (REITs) listed on the SGX Mainboard. The rest of the four IPOs are listed on Catalyst.

Excluding the two REITs, gross amount raised by each of the four Catalyst IPOs ranged from S\$3.0 million to S\$19.0 million. In 2019 H1, each of the seven Catalyst IPOs raised gross amounts ranging from S\$3.9 million to S\$15.0 million.

# Overview of 2020 H1

## 6 IPOs on the SGX: 4 Catalist and 2 Mainboard (REITs)

	Company	Listing platform	Date of listing	P/E ratio	Amount raised (\$S\$m)	Market cap (\$S\$m)	Offer price	Share price as at 30 June 2020	% change	Nature of business	Country of main operations
1	Resources Global Development Limited	Catalist	31-Jan-20	6.70	3.00	18.00	S\$0.200	S\$0.210	5%	Coal	Indonesia
2	Elite Commercial REIT	Mainboard	06-Feb-20	1.18	237.78 <sup>#</sup>	410.34 <sup>#</sup>	GBP 0.680	GBP 0.700	3%	REIT	United Kingdom
3	Don Agro International Limited	Catalist	14-Feb-20	5.20	5.06	33.06	S\$0.220	S\$0.245	11%	Agriculture	Russia
4	Memiontec Holdings Ltd.	Catalist	05-Mar-20	8.89	7.53	49.56	S\$0.225	S\$0.220	-4%	Water treatment	Singapore & Indonesia
5	United Hampshire US REIT	Mainboard	12-Mar-20	0.95	452.67*	552.03*	USD 0.800	USD 0.590	-26%	REIT	United States
6	Southern Alliance Mining Ltd.	Catalist	26-Jun-20	4.20	19.00	122.25	S\$0.250	S\$0.270	8%	Mining	Malaysia
				<b>Total</b>	<b>725.04</b>	<b>1,185.24</b>					

Of the six IPO listings, five took place in Q1 before the unexpected Covid-19 took a heavy toll on the health of the equity market in Q2 where IPO listings fell to zero during Singapore's nationwide circuit breaker that lasted from 7 April till 1 June. The capital market saw one IPO listing after the circuit breaker was lifted.

<sup>#</sup> Translated from GBP at rate of 1.8164, Amount raised: GBP 130.91m; Market cap: GBP 225.91m

<sup>\*</sup> Translated from USD at rate of 1.3989, Amount raised: USD 323.59m; Market cap: USD 394.62m

Source: SGX

Q1 year-on-year comparison:

	Q1 2017	Q1 2018	Q1 2019	Q1 2020
<b>No. of IPOs</b>	3	3	4	<b>5</b>
<b>Amount raised (\$S\$m)</b>	201	462	39	<b>706</b>

### Singapore's IPOs raised more money before markets slump:

There has been an increase in number of IPOs and amount raised compared to the same periods in prior years, however, this momentum was interrupted by COVID-19 and the circuit breaker.

## One Secondary listing on the SGX

	Company	Listing platform	Date of listing	Market cap (\$S\$'bn)	Offer price	First day trading	Share price as at 30 June 2020	% change	Nature of business	Country of main operations
1	AMTD International Inc.	Mainboard (Dual class)	08-Apr-20	3.9	S\$13.95	S\$16.00	S\$16.80	20%	Investment banking, asset and strategic management	Asia (Hong Kong based)

First company ever to be dual listed on the New York Stock Exchange (NYSE) and SGX with dual-class voting structure. First company to have a digital listing ceremony.

Upon its secondary listing on the SGX Mainboard, AMTD saw an increase in share price on NYSE by 5.9% to USD9 from USD8.50 on the previous close, **a record high in the first six months of 2020.**

The secondary listing of AMTD shows that aside from the traditional IPO route, companies can consider a secondary listing on the SGX.

“ The unprecedented impact of COVID-19 was certainly felt on Singapore’s IPO market just as it had caused volatility in the global market to reach its highest levels since the global financial crisis. We were looking at a healthy pipeline of listings for 2020 but as the COVID-19 pandemic descended upon the region and the overall decline in the global economy as well as the oil glut and price wars, potential issuers were forced to rethink their timelines and delay their listing plans. ”

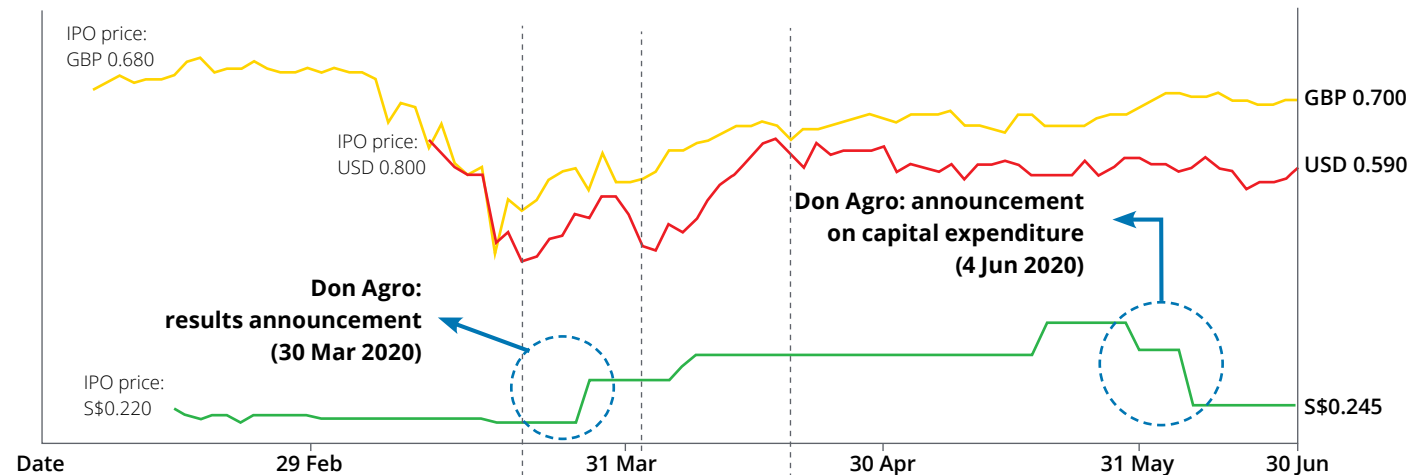
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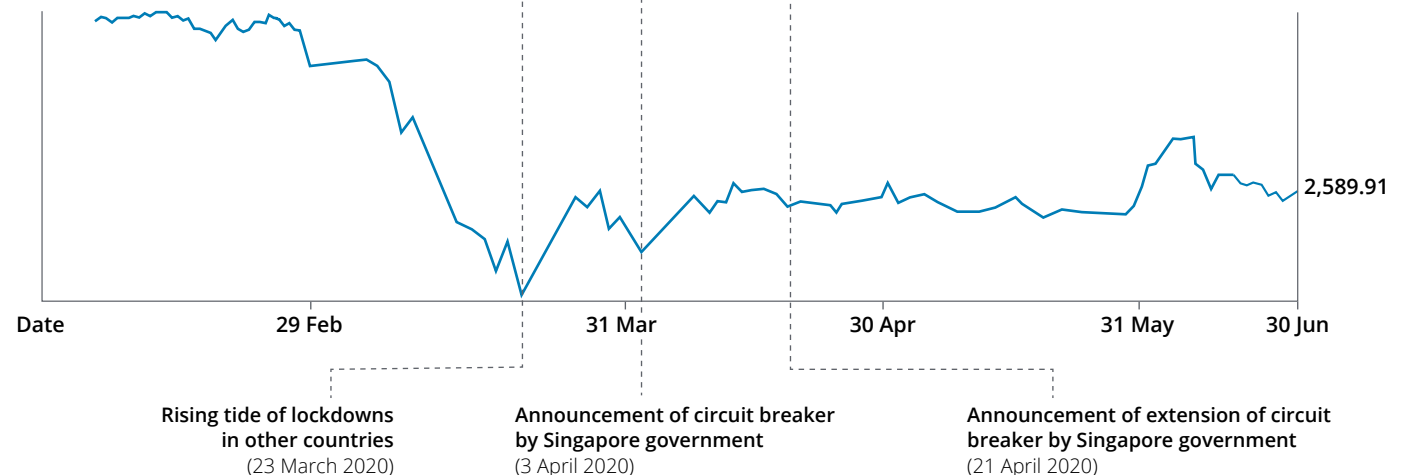


# Overview of 2020 H1

## Share price movement



## STI Index movement



■ Elite Commercial REIT  
(IPO date of 6 Feb – 30 Jun 2020)

■ United Hampshire US REIT  
(IPO date of 12 Mar – 30 Jun 2020)

■ Don Agro International Limited  
(IPO date of 14 Feb – 30 Jun 2020)

■ STI Index  
(6 Feb – 30 Jun 2020)

Source: Yahoo Finance

**United Hampshire US REIT** has a portfolio of grocery and necessity-based properties and self-storage facilities in the US. The drop in share prices post-IPO may have reflected market's fears on the outlook of retail sector in the US as the economy continued to worsen in 2020 Q2.

Share prices dropped by 26% post-IPO from USD 0.800 to USD 0.590 as at 30 June 2020. On the first day of trading, share price dropped by 20%, and on the same day, the STI index dropped by 17%.

On the other hand, **Elite Commercial REIT**, the other REIT IPO in 2020 H1, had a slight increase in share prices post-IPO of 3% compared to 30 June 2020.

Elite Commercial REIT holds commercial properties in the United Kingdom (UK). More than 99% of its properties are leased to the UK government, via the Secretary of State for Housing, Communities and Local Government, thus tenancy risk may be reduced. Share price movements may have showed a possibly greater confidence in a REIT with lower risk to withstand economic uncertainties.

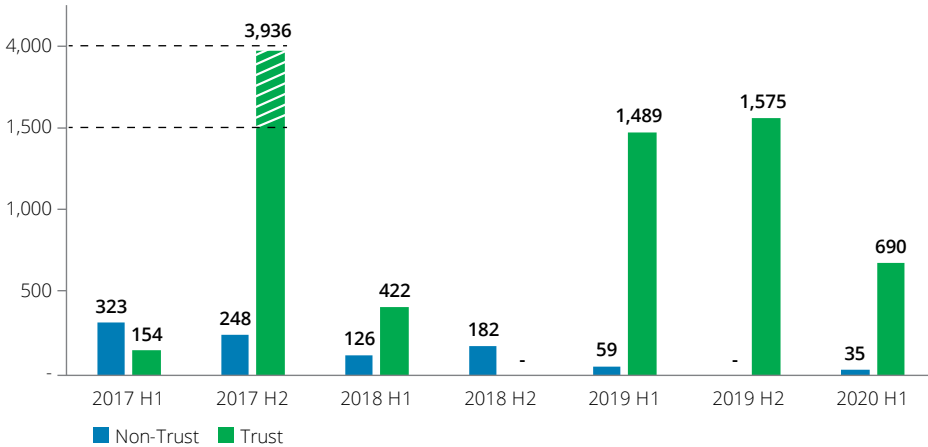
**Don Agro International Limited** is in the business of growing, processing and distribution of agricultural and dairy products, mainly grain and milk, at farms located in the Rostov Region. The products are sold in the Russian Federation.

**Share price increased by 11%** post IPO as at 30 June 2020, which might be fuelled by expectations of basic food products to be recession-proof, being a primary need.



# REITs and Business Trusts

Amount raised by Trust and non-Trust in 2017 H1 to 2020 H1 (S\$m)



REITs and Business Trusts continue to be the main contributors of listing proceeds on the SGX in recent years.

## How do REITs fare in a low interest rate environment?

On 15 March 2020, Federal Reserve slashed interest rates to near zero at 0% to 0.25% from previous target of 1% to 1.25%. The effect of this cut rippled to Singapore's capital markets, with Singapore Interbank Offered Rate (SIBOR) starting to fall, as 3 months SIBOR stood at 0.56% as of June 2020, a drop from 0.41% in the previous month.

In such volatile economic conditions caused by the COVID-19 pandemic, investors invariably seek safe investments through government bonds or debt. However, the low interest rates may chip away the return from these investments over time. Therefore, investors may alternatively look to Real Estate Investment Trusts (REITs).

## Benefits of REITs

<p><b>Higher return</b></p> <p>Average dividend yield of 7.2%*, which is higher than interest rates in bond market.</p>	<p><b>Fixed income</b></p> <p>Fixed distributions, although with possibilities of REITs reducing distributions to conserve cash flows.</p>	<p><b>Diversify risk</b></p> <p>Invest in stable industries, e.g. healthcare or data centres or assets in other countries.</p>	<p><b>Resilient</b></p> <p>Able to continue fundraising amidst COVID-19.</p> <p>One of recent fundraising activities include Mapletree Industrial Trust which launched a private placement equity exercise in June 2020 and is expected to raise gross proceeds of about S\$410 million.</p>

REITs are expected to continue to be a desired investment choice, with their higher yield and resilient model to generate returns.

\*Source: SGX Chartbook, data as at 31 May 2020

# New measures for listed companies

## SGX Measures in H1 2020

To alleviate the burden on listed companies, SGX has imposed some new measures, such as removing minimum trading price and abolishing quarterly reporting.

## To provide support to businesses disrupted by COVID-19

### 27 Feb 2020

SGX will grant a time extension of up to 2 months (i.e. till 30 June 2020) to issuers holding annual general meetings (AGMs) to approve their 31 December 2019 financial results.

### 16 Mar 2020

SGX introduces S\$5 million Care Package to provide support to:

1. S\$1.5 million contribution to national healthcare-support programmes
2. S\$3.5 million will be used to support Singapore-listed companies especially for frontline workers and those whose operations have been disrupted

### 7 Apr 2020

SGX will automatically extend by 60 days the deadline for all issuers with financial year-end on or before 31 March 2020 to hold their annual general meetings.

### 6 May 2020

SGX allows electronic dissemination of rights issue and take-over documents. However, issuers have to send a hardcopy notification to shareholders with instructions to access the electronic offer documents as well as hardcopy application or acceptance forms to shareholders.

## To remain competitive

### 9 Jan 2020

SGX will apply quarterly reporting (QR) requirements only for companies associated with higher risks such as:

1. Companies that received adverse/qualified opinions from its auditors
2. Material uncertainty relating to going concern
3. Or those that has regulatory disclosure breaches

### 8 Apr 2020

SGX will provisionally:

1. Suspend the half-yearly reviews to place issuers on the Financial Watch-List
2. Enable Mainboard issuers to seek an issue of pro-rata shares and convertible securities of up to 100% of its share capital (exclude treasury shares and subsidiary holdings) versus 50% previously (effective on 8 April 2020 till 31 December 2021)

### 11 May 2020

SGX is removing the minimum trading price (MTP) rule for Mainboard issuers with effect from 1 June 2020 from the previous requirements on having a six-month volume-weighted average share price of at least S\$0.20 and average daily market value of at least S\$40 million.



# Outlook

## COVID-19

**Volatility** HK PROTESTS

**Oil price war** **Ambiguity**

Brexit Transition Risk Aversion

Equity **US Protests & Riots**

Market **Economy Stimulus**

Familiarity Bias **Packages**

**US and Singapore Elections**

**RISK AND COST**

**Ongoing Trade Tension**

Macro Economics

## Market factors affecting investor sentiment

Companies going for IPO should analyse how these market factors will impact their operations and business values.

In addition, REITs, being more favourable in the current low interest rate environment, will continue to be a big contributor to IPOs.

Companies that are in the final stage of IPO preparation, are likely to press on with the launch to raise funds from the capital market to cushion the impact of the challenging business environment.



# Outlook

## Resilience through experience

Although the market volatility will remain until COVID-19 subsides at a global level, Singapore is better prepared with measures that are implemented to achieve an efficient containment of COVID-19 as well as reducing economic disruptions. Companies looking to list in 2020 must remain vigilant of the government policies and stimulus packages which are likely to affect their businesses as well as IPO plans.

The COVID-19 pandemic is having a significant impact on businesses and the economy. Here are some considerations for companies preparing for fund raising:



Assess impact of current external factors to business operations and financial results.



Anticipate forthcoming changes in the market, leveraging on the competitive advantage to adapt to an ever changing global environment.



Re-think feasibility of business strategies and growth plans, continually assess the strategic actions that should be taken.



Perform scenario analysis to identify viable options to strategically plan for a wide variety of events.



Possibly more prudent valuation on assets.



Consider all fundraising options by analysing key financial, operational and strategic assumptions.



## The New Normal

COVID-19 has visibly accelerated digitalisation in businesses all across industries, as the 'mobile lifestyle' is no longer an option but a requirement. This is seen through the increase in telecommuting, e-commerce and virtual events.


As the world becomes increasingly digitised, there is a heightened need for a boost in internal digital capabilities and development of digital infrastructures, including but not limited to system upgrades and by being paper-less, in order to stay relevant.

Soon we will be transitioning towards a post COVID-19 recovery phase. Businesses have learned through these past months that digitalisation is able to build resilience for global pandemics in the future.

Companies should be pro-active to ring-fence their business operations and be agile to the new normal in market practices, in order to remain competitive.



Even as the economy goes into post COVID-19 recovery mode, companies will still continue to adopt a prudent approach – monitoring the market and looking for the optimal opportunity to launch their listing plan.

It is hard to predict when or how fast the market will recover. Given the uncertainty, it is now more important than ever for companies to be IPO ready. Use this downtime to prepare internally so that you can tap on the window of opportunity when a favourable time emerges to enter the market. 

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