

# *Equity Capital Markets Watch*

## Singapore: 2017 year in review

January 2018



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“The year 2017 has been a brilliant one for IPOs in Singapore. With the market upturn, we see that REITs and business trusts continue to dominate the market making up 88% of total funds raised.”

– *Tham Tuck Seng, Capital Markets Leader, PwC Singapore*

## Overview

The year 2017 has been a successful year for the Singapore Exchange (SGX), with the total funds raised being the highest in four years at approximately S\$4.7 billion (Figure 1), doubling that of 2016 (at approximately S\$2.3 billion). As of 18 December 2017, Singapore saw a total of 20 IPOs with seven listings on the Mainboard and 13 listings on the Catalyst Board. The results were more positive compared to 2016 which saw five listings on the Mainboard and 11 listings on the Catalyst Board. SGX is also expecting the first IPO of 2018 from a Malaysian bedroom furniture exporter, LY Corporation Limited, which filed a preliminary prospectus with the SGX's Catalyst Board on 26 December 2017<sup>1</sup>.

SGX also welcomed the listing of NetLink NBN Trust in 2017, 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. As at the end of Q3 2017, NetLink NBN Trust was the seventh largest IPO listing globally and the second largest in Asia Pacific in terms of amount of funds raised<sup>2</sup>.

Figure 1: IPO activity value and volume in the SGX – 2007 to 2017

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
<b>No. of IPOs</b>	62	30	22	30	24	21	26	28	13	16	20
<b>Total funds raised (S\$ billion)</b>	7.7	1.8	3.2	7.1	10.1	4.9	6.9	3.5	0.51	2.3	4.7

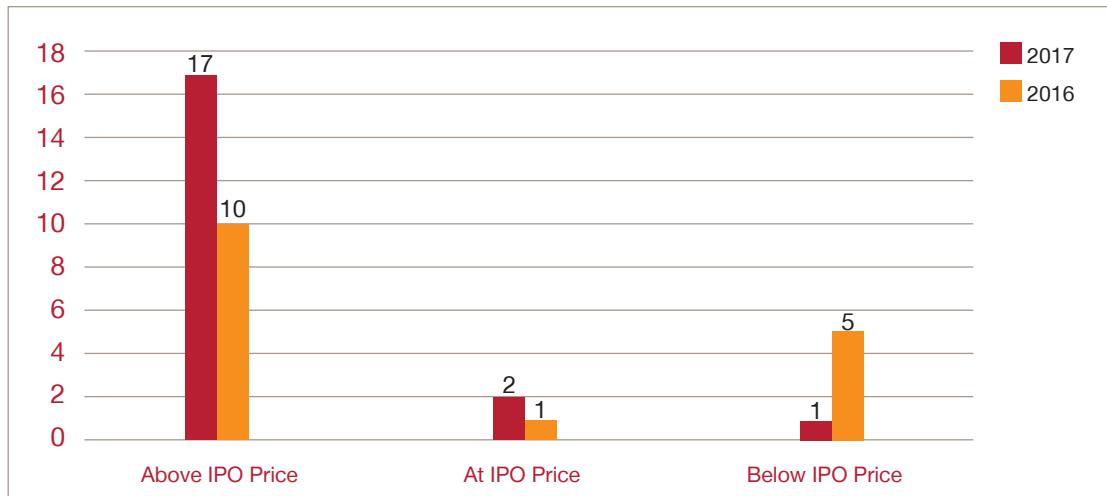
Source: SGX, December 2017

Notes: \* Data as of 18 December 2017, excludes RTO and secondary listing

The amount of funds raised before 2017 were converted from our original data in USD to SGD based on the prevailing USD:SGD exchange rate on the date of fund raising

The buoyancy of Singapore's capital market is also reflected in its performance of IPOs on Day One closing in 2017, which surpassed that of 2016 (Figure 2). Of the 20 IPOs listed this year, 17 of them were trading at a higher closing price – as of 18 December 2017 – than their offer price.

Figure 2: Day One IPO closing performance



Sources: SGX and PwC Analysis, December 2017

Note: Data as of 1st IPO closing

<sup>1</sup> <http://www.ibtimes.sg/malaysian-bedroom-furniture-maker-ly-corp-eyes-catalist-listing-22415>

<sup>2</sup> Dealogic, historical data as of 30 September 2017

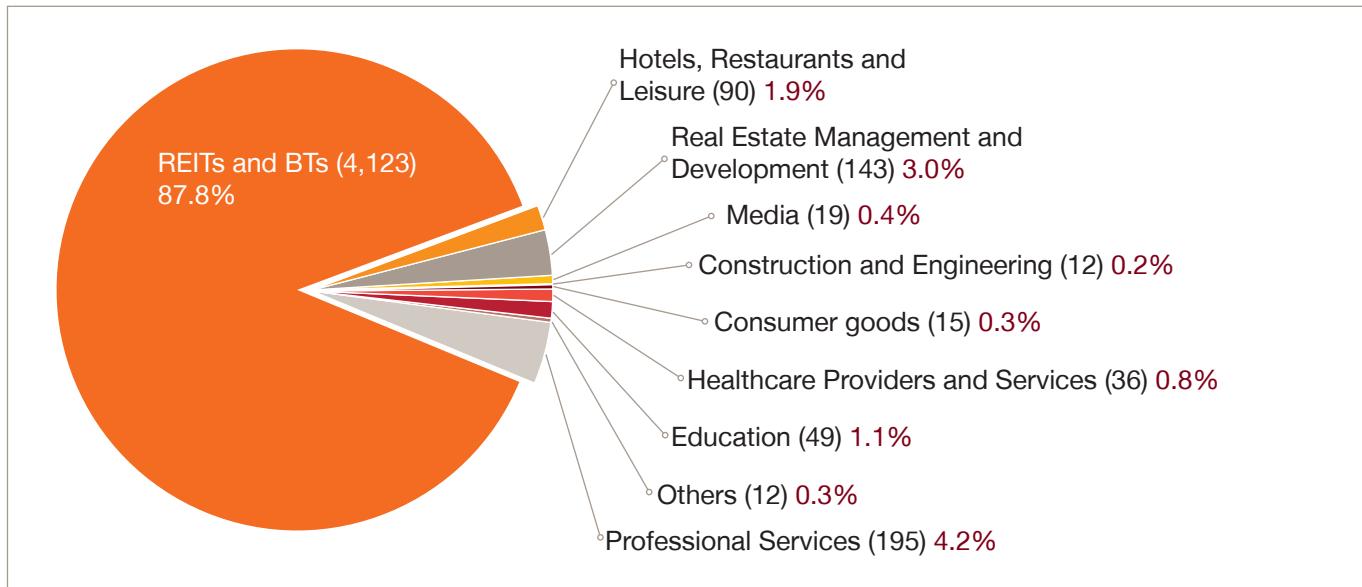
## Top performers: industry

The real estate investment trusts (REITs) and business trusts (BTs) sectors continue to lead the market when it comes to the amount of proceeds raised (Figure 3). 2017 saw the listing of 4 REITs and BTs, which in total raised approximately S\$4.1 billion in proceeds. Meanwhile, the projected yield of these issuers range from 5.7% to 8.5% (Figure 4).

The next top performing industry in 2017 was the professional services sector, which raised a total of approximately S\$195 million in proceeds. This can be attributed to the listing of HRnetGroup, which successfully raised S\$183.8 million in proceeds back in June 2017.



Figure 3: IPO funds raised by sector in 2017 - (S\$ million) % of market share



Source: SGX, December 2017

Note: Data as of 18 December 2017

Figure 4: REITs and BTs listed in 2017

REITs / BTs	Funds raised (S\$ million)*	Type of assets^	Projected yield^
<b>Dasin Retail Trust</b>	153.87	Commercial properties	8.5%
<b>Net Link NBN Trust</b>	2,447.38	Fibre network cables	5.73%
<b>Keppel KBS US REIT</b>	627.30	Commercial properties	6.8%
<b>Cromwell European REIT</b>	894.17**	Office, light industrial/logistics and retail properties	7.8%
<b>Total funds raised</b>	<b>4,122.72</b>		

Notes: \* SGX's data, December 2017

^ Based on IPO prospectus

\*\* EUR555.695 @ EUR:SGD exchange rate of 1.6091





## Top performers: newly listed companies

As of 18 December 2017, 11 out of the 20 newly listed companies within the year saw their shares close at a higher price than their IPO price. Two of the three newly listed F&B companies in 2017, Kimly Ltd and RE&S Holdings Limited, are among these 11 companies. This is indicative of investors' eagerness to invest in high performing F&B businesses in part due to the stable cash flow they generate, the nature of their business model and their established brand presence.

Samurai 2K Aerosol, a company specialising in high performance aerosol coating solutions, emerged as the top IPO performer in 2017. The company saw its share price increase by 455% following its successful listing in January 2017 (Figure 5). Riding on the bull run of its share price, Samurai 2k Aerosol entered into a proposed placement of 10 million ordinary shares at a price of S\$1.008 per share on 27 November 2017<sup>3</sup>. If fully subscribed, the proposed placement can potentially help the company raise approximately S\$10 million in gross proceeds<sup>4</sup>. Samurai 2K Aerosol's ability to raise capital twice within a year indicates the depth of liquidity in Singapore's capital market.

Another newly listed company in 2017 that showed strong performance was UnUsual Ltd – an event, concert production and promotion company – which saw its share price grow by 300% since its IPO in April 2017. This can be attributed to the growth in Singapore's consumer spending, which reached an all-time high of S\$35,321.40 million in Q3 2017<sup>5</sup>. Furthermore, at a time when entertainment and media are becoming more virtual, live experiences are also becoming increasingly valued.

<sup>3</sup> Proposed placement of up to 10 million new ordinary shares in the capital of Samurai 2K Aerosol Limited at S\$1.008 per share, Samurai 2K Aerosol Limited, November 2017

<sup>4</sup> Ibid.

<sup>5</sup> Singapore consumer spending, Trading economics, 2017

Figure 5: Share price performance of newly listed companies in 2017

Issuer name	Sector	Listing date	Offer price (S\$)	Last close* (S\$)	% change
<b>Samurai 2K Aerosol</b>	Chemical	9 Jan 17	<b>0.20</b>	<b>1.11</b>	455%
<b>UnUsual Ltd</b>	Media	10 Apr 17	<b>0.13^</b>	<b>0.50</b>	300%
<b>Kimly Ltd</b>	Hotels, Restaurants and Leisure	20 Mar 17	<b>0.25</b>	<b>0.355</b>	42%
<b>APAC Realty Limited</b>	Real Estate Management and Development	28 Sep 17	<b>0.66</b>	<b>0.865</b>	31%
<b>Sanli Environmental Ltd</b>	Construction and Engineering	8 Jun 17	<b>0.23</b>	<b>0.285</b>	27%
<b>RE&amp;S Holdings Limited</b>	Hotels, Restaurants and Leisure	22 Nov 17	<b>0.22</b>	<b>0.255</b>	16%
<b>Y Ventures Group Ltd</b>	Internet and Direct Marketing Retail	11 Jul 17	<b>0.22</b>	<b>0.235</b>	7%
<b>Net Link NBN Trust</b>	REITs and BTs	19 Jul 17	<b>0.81</b>	<b>0.825</b>	2%
<b>Keppel-KBS US REIT^</b>	REITs and BTs	9 Nov 17	<b>1.196</b>	<b>1.205</b>	1%
<b>Dasin Retail Trust</b>	REITs and BTs	20 Jan 17	<b>0.80</b>	<b>0.81</b>	1%
<b>Cromwell European REIT^</b>	REITs and BTs	30 Nov 17	<b>0.885</b>	<b>0.893</b>	1%
<b>Aoxin Q&amp;M Dental Group Ltd</b>	Healthcare	26 Apr 17	<b>0.20</b>	<b>0.20</b>	0%
<b>Clearbridge Health Limited</b>	Healthcare	18 Dec 17	<b>0.28</b>	<b>0.28</b>	0%
<b>Union Gas</b>	Consumer Goods	21 Jul 17	<b>0.25</b>	<b>0.245</b>	-2%
<b>Shipper360 Limited</b>	Professional Services	30 Jun 17	<b>0.29</b>	<b>0.27</b>	-7%
<b>Mindchamps Preschool Limited</b>	Consumer Services	24 Nov 17	<b>0.83</b>	<b>0.77</b>	-7%
<b>World Class Global Ltd</b>	Real Estate Management and Development	15 Jun 17	<b>0.26</b>	<b>0.23</b>	-12%
<b>Aspen Group</b>	Real Estate Management and Development	19 Jul 17	<b>0.23</b>	<b>0.20</b>	-13%
<b>HRnetGroup Ltd</b>	Professional Services	16 Jun 17	<b>0.90</b>	<b>0.78</b>	-13%
<b>No Signboard Holdings Ltd</b>	Hotels, Restaurants and Leisure	30 Nov 17	<b>0.28</b>	<b>0.24</b>	-14%

Sources: SGX and Bloomberg, December 2017

Notes: \* Data as of 18 December 2017

^ Adjusted for 3 for 5 bonus shares issued on 1 December 2017

~ Traded in USD, translated at prevailing USD:SGD rate as at IPO date and 18 December 2017

# Traded in EUR, translated at prevailing EUR:SGD rate as at IPO date and 18 December 2017



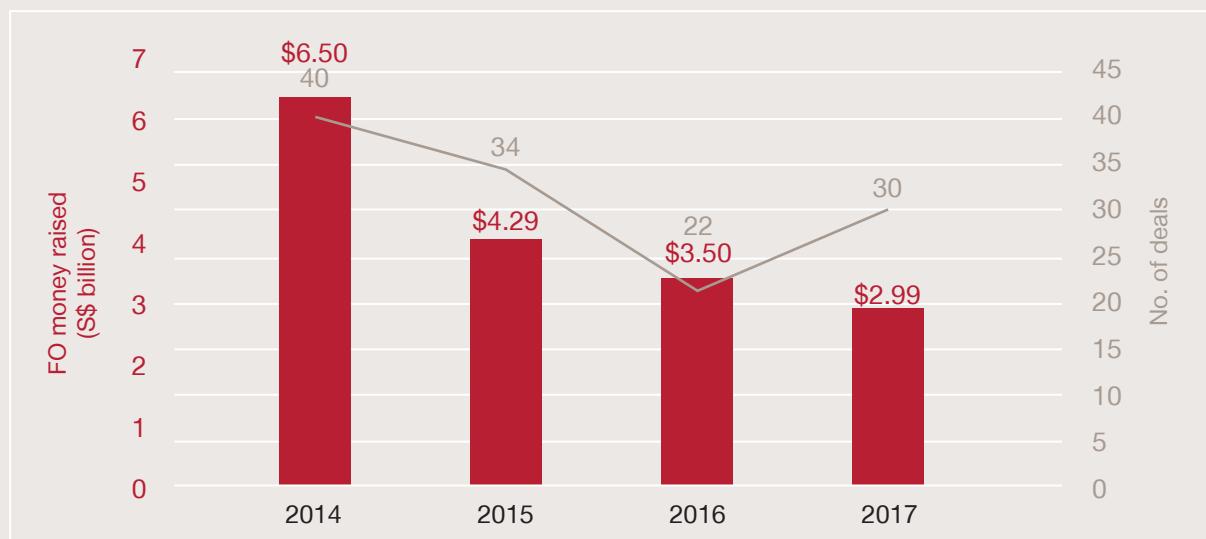
Last year (2017) saw a total of 30 FOs (as of 30 November 2017), which combined, raised close to S\$3 billion in gross proceeds. It is also interesting to note that while the number of FOs were higher in 2017 than in 2016, the amount of proceeds raised was lesser. This may be attributed to Noble Group's right issuance back in 2016, which raised approximately S\$675 million (US\$500 million) in proceeds, accounting for close to 20% of the total funds raised via FO that year<sup>6</sup>.

Figure 6: FO activity value and volume

	2016	2017
<b>No. of FOs</b>	22	30
<b>Total funds raised (S\$ million)</b>	3,542	2,989

*Note: Data as of 22 November 2017*

Figure 7: FO funds raised and number of deals



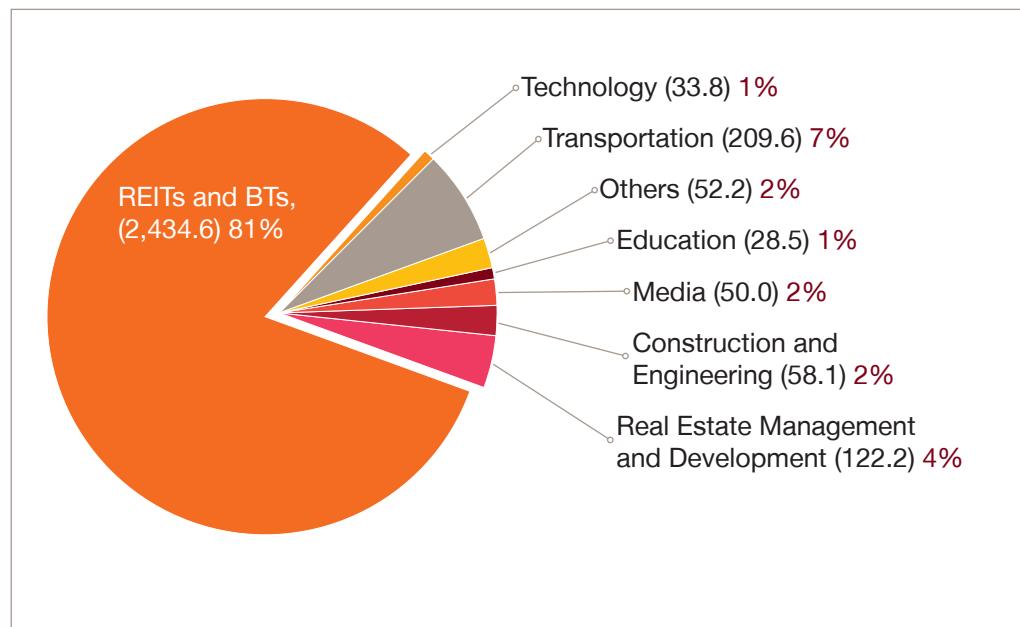
*Note: Data as of 22 November 2017*

Based on the FO performance in the 2017, the REITs and BTs sectors continue to dominate Singapore's FO market (Figure 8). A total of 12 companies from these sectors engaged in FO activities in 2017, an increase from 10 in 2016. Most of the funds raised are expected to be used for the acquisition of new assets and repayment of existing borrowings. Rising interest rates are also causing debt financing to become increasingly expensive<sup>7</sup>. It is therefore not surprising for real estate players to tap on the equity market to finance new acquisitions and pare down their borrowings level.

The transportation sector contributed to 7% of the total FO funds raised in 2017. This was solely driven by a ship (a China-based company listed on SGX) shipbuilding company, Yangzijiang Shipbuilding (Holdings) Ltd. ("Yangzijiang"), which raised S\$209.6 million through a placement exercise in September 2017.

Earlier on 31 August 2017, Yangzijiang announced that 50% of its proceeds will be used to fund new investments and business expansion initiatives through acquisitions, joint ventures and/or strategic alliances, while the remaining half will be deployed for working capital and general corporate purposes<sup>8</sup>. Coupled with the fact that the Baltic Dry Index (BDI) increased from 960 in the beginning of 2017 to 1,626 in November 2017<sup>9</sup>, and that crude oil prices also saw an increase from approximately US\$54 per barrel to US\$58.4 per barrel over the same period of time<sup>10</sup>, the shipping and offshore sector may be on a path of recovery with newfound optimism for business growth and expansion.

Figure 8: FO funds raised by sector in 2017 - (S\$ million) % of market share



Note: Data as of 22 November 2017

<sup>6</sup> Noble Group announces US\$500 million rights issue, a comprehensive programme to focus the company on its growth businesses and changes to the board, Noble Group Limited, June 2016

<sup>7</sup> Singapore home loan rates starting to climb, The Straits Times, December 2017

<sup>8</sup> Placement of 137 million ordinary shares in the capital of Yangzijiang Shipbuilding (Holdings) Ltd. at the placement price of S\$1.53 per share, Yangzijiang Shipbuilding (Holdings) Ltd., August 2017

<sup>9</sup> Baltic Dry Index, Bloomberg Markets, data as of November 2017

<sup>10</sup> Generic 1st 'CL' Future, Bloomberg Markets, data as of November 2017

## REITs & BTs sectors dominating Singapore's equity capital markets scene

Since 2015, SGX welcomed the listing of eight REITs and BTs, 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.

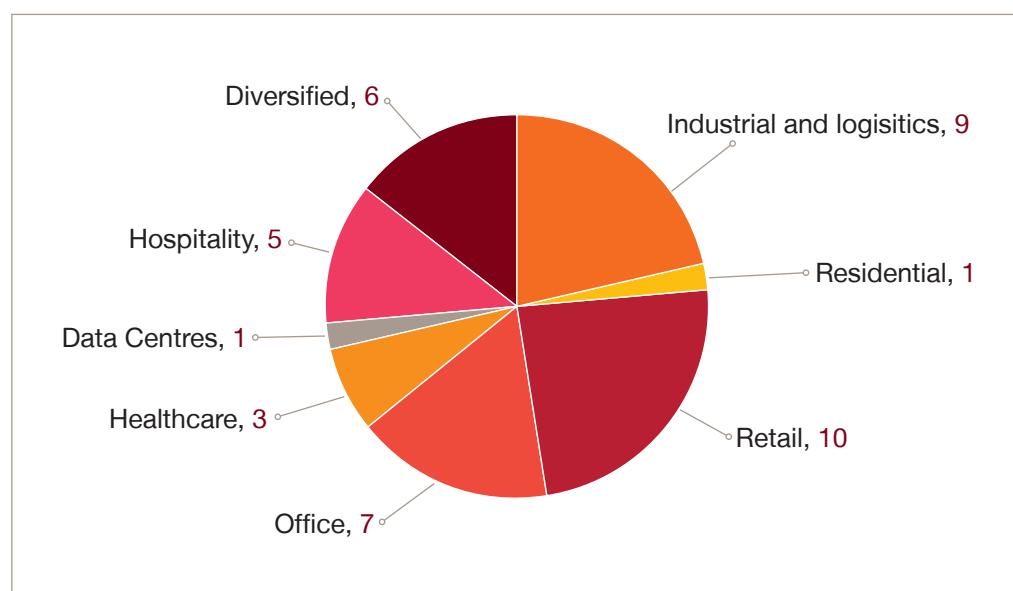
Figure 9: REITs and BTs listed over the past three years

Year	2015	2016	2017	Total
<b>Funds raised (S\$ million)</b>	276	2,247	4,123	6,646
<b>% of total proceeds raised</b>	54%	85%	88%	85%

Source: SGX

As of 18 December 2017, there was a total of 48 REITs and BTs listed in Singapore<sup>11</sup>. Together, they have a combined market capitalisation of S\$90.1 billion<sup>12</sup>. Furthermore, 42 out of 48 of these listed REITs and BTs are property trusts<sup>13</sup>. Figure 10 breaks down the type of asset classes of these listed property trusts.

Figure 10: Number of property trusts by asset class



Source: SGinvestors, December 2017

<sup>11</sup> REITDATA, December 2017

<sup>12</sup> Sector Heatmap, SGX, December 2017

<sup>13</sup> REITDATA, December 2017



In terms of the geographical location of assets, Singapore-listed property trusts invest in assets spanning across various 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<sup>14</sup>. This is an encouraging sign, as Singapore continues to remain a listing destination of choice for overseas real estate players.

The attractive dividend yields offered by locally listed property trusts are their key appeal to investors. For the first nine months of 2017, the average yield of these property trusts was approximately 6.4% and their total returns from the SGX S-REIT Index amounted to 21.4%<sup>15</sup>, outperforming the MSCI Asia Pacific REIT Index which had an average dividend yield of 4.28% and a gross return of 10.28%<sup>16</sup>. Coupled with the recovery of Singapore's office rental market and residential sectors, and the city state's overall optimistic real estate outlook<sup>17</sup>, – ranked top three in Asia Pacific's 2018 city investment prospects – the yield offered by locally listed property trusts are likely to increase in the new year with possible upside in the performance for these counters and the expectation of more IPOs coming from property trusts. We also foresee higher volume of FO activities in 2018 by these listed property trusts as they continue to source for potential acquisition targets.

<sup>14</sup> IPO Prospectus

<sup>15</sup> Emerging Trends in Real Estate® Asia Pacific 2018, PwC and ULI, November 2017

<sup>16</sup> MSCI AC Asia Pacific REITs Index (USD), MSCI, November 2017

<sup>17</sup> Emerging Trends in Real Estate® Asia Pacific 2018, PwC and ULI, November 2017

## Food and beverage (F&B) sector stepping into the spotlight

Following the successful listing of Jumbo Group in 2015, SGX welcomed the listing of three F&B companies in 2017 (Kimly Limited, RE&S Holdings Limited and No Signboard Seafood; Figure 11). Combined, these three newly listed companies raised approximately S\$90.3 million in total gross proceeds.

Figure 11: Data of selected F&B listed companies

Companies	IPO date	IPO price (\$)	Last close price (\$) <sup>^</sup>	% changes in share price since IPO	P/E <sup>^</sup>
<b>Jumbo Group</b>	9 Nov 2015	0.25	0.575	130%	25.5
<b>Kimly Limited</b>	20 Mar 2017	0.25	0.355	42%	18.9
<b>RE&amp;S Holdings Limited</b>	22 Nov 2017	0.22	0.255	16%	12.9
<b>No Signboard Holdings Ltd</b>	30 Nov 2017	0.28	0.24	-14%	11.2

Source: SGX, December 2017

Note: <sup>^</sup> Data as of 18 December 2017

Overall, Jumbo Group led the sector with a 130% increase in its share price since its IPO in November 2015. Compared to the three newly listed F&B companies, Jumbo Group traded at the highest price-earnings ratio of 25.5 times. The noteworthy run in Jumbo Group's share price can be attributed to its brand premium, which is largely associated with Singapore's image of being famous for its good and high quality food, along with its expansion drive in the Chinese market. The restaurant chain opened its fifth outlet in China earlier in November 2017 and sees potential for establishing more outlets there in the coming years<sup>18</sup>.

Given the impressive performance of F&B counters in 2017, coupled with the cash business and nature of these companies, we might continue to see more F&B listings in 2018.

## Technology continues to be an area of focus

In 2017, SGX rolled out a number of concrete initiatives to assist technology companies and start-ups in connecting to the capital market. In the first half of the year, SGX entered into collaborations with the Singapore Info-communication Media Development Authority (IMDA) and A\*STAR's EPLT. In addition to running a series of investor education workshops on the technology sector, the Exchange also invested in an early-stage equity raising platform, CapBridge, and supported a crowd financing platform, FundedHere<sup>19</sup>.

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, both of which offer attractive valuations. In addition, SGX is also up against competition from private equity firms and individual investors that offer alternative funding opportunities<sup>20</sup>.

<sup>18</sup> Jumbo opens fifth outlet in China, *The Business Times*, November 2017

<sup>19</sup> SGX lures tech sector, but getting firms to byte will be tough: observers, *The Business Times*, June 2017

<sup>20</sup> Ibid

## Delisting trend continues

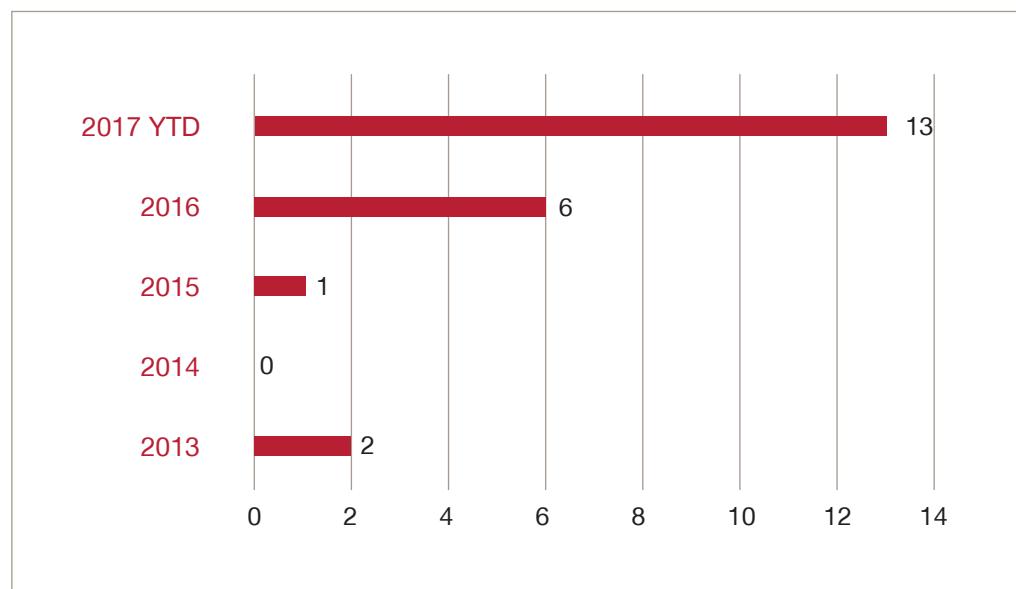
The year 2016 saw the delisting of 27 listed companies from SGX, which included a number of high-profile companies such as Neptune Orient Lines and SMRT Corp. This trend persisted in 2017, where 24 companies were delisted<sup>21</sup>. Pessimism in the market may have been in part due to the declining trading volume and muted confidence in the local equity market<sup>22</sup>.

Furthermore, the low valuations of certain listed companies have generated merger and acquisition opportunities to buyout these companies, which ultimately led to their delisting from the stock exchange. Real estate and logistics firms such as Global Logistic Properties (GLP), United Engineers, Croesus Retail Trust and CWT were among such companies targeted for buyout<sup>23</sup>. The delisting trend may continue in 2018.

## Competition from HKEx and other regional bourse

A total of 151 companies were listed on the Hong Kong Stock Exchange (HKEx) from January to November 2017, approximately 20% more than 2016 where HKEx saw the listing of 126 companies<sup>24</sup>. Meanwhile, 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 (Figure 12). Of the key pull factors attracting companies to list on HKEx observed are perceptions of higher valuations and liquidity. With these in mind, we foresee that the number of local companies seeking to list on HKEx will likely increase in 2018.

Figure 12: Singapore-based firms listing in Hong Kong



Source: Bloomberg Markets, November 2017

Separately, the ASEAN economy is expected to improve further in 2018. Given the improved regional economic sentiment, we foresee fund raising activities across the region are likely to grow and so will competition with bourses from neighbouring economies.

<sup>21</sup> SGX monthly statistics reports, January to November 2017 issues

<sup>22</sup> SGX – A shrinking capital market, ASEAN Today, July 2017

<sup>23</sup> Property sector leads list of buyouts from Singapore Exchange, The Business Times, July 2017

<sup>24</sup> PwC Hong Kong analysis, 2017

At PwC, we have a team of specialists who provide a broad range of services to companies in connection with capital markets transactions.

**As advisors**, we can advise you from the beginning to the end of the IPO process in order to maximise the value, including:

- Advising on and assessing your company's readiness for becoming a public company
- Assisting in the evaluation, preparation and execution of the IPO
- Advising on the restructuring and re-organisation to effectuate the IPO
- Advising on establishment or assessment of internal audit and corporate governance for a listed company
- Assisting and advising on accounting conversion projects and assisting in drafting any required financial reporting procedures
- Facilitating and assisting in strategic business planning
- Assisting in securing pre-IPO investor funding
- Assisting in finance function transformation including related technology infrastructure
- Conducting market study

**As reporting auditors**, PwC will provide assurance on the historical financial statements and provide due diligence for the underwriters by means of comfort letter procedures on the historical financial information included in the prospectus.





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