

Malaysia's IPO boom is a one-off, say analysts

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By Julia Zappei, AFP

Malaysia is tipped to be Asia's top IPO market for 2012 thanks to two of the world's biggest company listings this year, but analysts say the momentum is likely to fizzle out.

At a time of global economic distress, Malaysia's drive for initial public offerings is being propped up by pre-election encouragement from the government and by cash-rich state funds, the analysts said.

But they said the resource-rich, developing South-East Asian country of 28 million people is not on course to supplant better known IPO capitals in the region such as Hong Kong and Singapore.

"Maybe this year is a record, but whether it can be sustained is a different thing," James Ratnam, a research analyst with TA Securities, told AFP.

Felda Global Ventures (FGV), an oil palm plantation giant, made its debut on the Kuala Lumpur stock exchange, known as Bursa Malaysia, last Thursday with an IPO that raised US\$3.25 billion.

Then on Tuesday, Asia's largest hospital operator IHH Healthcare announced a plan to raise US\$2.01 billion through a dual listing in Malaysia and Singapore, targeted for July 25.

The public offerings were behind only Facebook's troubled IPO of US\$16 billion this year, which suffered in part from the economic uncertainty gripping bigger stock markets around the world.

While English football club Manchester United is now going ahead with a US listing, the volatile climate has forced the delay of other major IPOs planned in Asia, including a US\$2.5 billion listing by Formula One in Singapore.

But Felda Global and IHH seem set to defy that trend, helped by representing robust and growing industries in commodities and healthcare respectively.

Shares in the palm oil company has already surged since its IPO and analysts expect IHH stock will do well, too.

"We are putting Malaysia on the global map. We are actually now considered a safe haven," Ooi Chin Hock, a dealer with Malaysia's M & A Securities, told AFP.

IHH has already attracted 22 so-called cornerstone investors, including international fund managers, who have committed to buying more than 60 percent of the 2.23 billion shares on offer.

Support of cash-strong state funds

Ooi and others attribute their optimism in part to the support of cash-strong state funds keen to invest, as well as the government's backing of the IPOs ahead of elections that must be called by next April at the latest.

"It's time for the government to raise funds... The government is actually cashing in," Ooi said.

Felda Global is an arm of the Federal Land Development Authority (Felda), a government agency that previously provided land to the rural poor.

IHH is majority-owned by sovereign wealth fund Khazanah, which is chaired by Prime Minister Najib Abdul Razak.

Najib said the IPOs marked milestones in the government's plan to divest state-linked firms and attract foreign investors for the country to achieve developed nation status by 2020.

"I can safely say that this also offers further evidence of the vibrancy and growing depth of our capital markets - once again underlining the fact that Malaysia can claim to be a bright spot on the otherwise dark canvas of global finance," Najib said at the IHH prospectus launch on Tuesday.

Nazir Razak, chief executive of financial firm CIMB Group and Najib's brother, said Malaysia looked set to be Asia's top IPO market for this year. CIMB is the principal adviser and lead underwriter for the IHH listing.

Global accountancy firm Ernst and Young has said Bursa Malaysia was the third-biggest in terms of funds raised in IPOs in the second quarter of 2012, following Nasdaq and the New York Stock Exchange.

It said in a release last week that the momentum of IPOs in South-East Asia was driven by "resilient financial performance, the support of cornerstone investors, pension and other funds, and ample liquidity".

But analysts said the Bursa Malaysia was unlikely to be able to sustain the momentum, noting that it had failed thus far to attract major listings from global players and remained far smaller than regional rivals.

Before this year, the last major listing in Malaysia was in 2010 when Petronas Chemicals Group Bhd., a unit of state oil firm Petronas, raised US\$4.14 billion.

Bernard Ching, head of Alliance Research, said big names wanting to list in Asia were still more likely to turn to Hong Kong or Singapore.

"In a volatile global market, Malaysia tends to do rather well," he told AFP. "(But) when the global uncertainties dissipate, IPOs in other markets will also pick up."