

IPO: 2010 winners and losers

IBs profit from higher fee income, 13 counters chart gains after listing

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KUALA LUMPUR: It was certainly a year of initial public offerings (IPOs) — 2010 ended with 29 IPOs, with China-based Sozo Global Ltd making its debut on Dec 17. That is more than twice the 14 new listings in 2009.

Of course, one may argue that market conditions were poor a year earlier, mainly owing to the global financial crisis. Hence, the significant jump in IPOs this year could be attributed to the low base in 2009.

Industry observers also noted that the capital raised from 2010's IPOs was higher and more varied compared with previous years.

In total, the IPOs in 2010 raised more than RM19.8 billion, compared with RM12.04 billion last year.

Out of this year's 29 listings, 23 companies were listed on the Main Board of Bursa Malaysia, while the rest were on the ACE Market.

The sheer size of several "blockbuster" IPOs was also a highlight this year, and things got bigger as the months went by. Sunway Real Estate Investment Trust Bhd (SunREIT), whose IPO in July raised RM1.45 billion, was larger than JCY International Bhd's RM843.5 million and Masterskill Education Group Bhd's

RM771.4 million in February and May, respectively.

Malaysia Marine and Heavy Engineering Bhd (MMHE) raised RM2.03 billion in October, while Petronas Chemical Group Bhd (PetChem) raised RM12.8 billion a month ago. PetChem's IPO size eclipsed even that of Maxis Bhd's RM11.3 billion raised a year earlier. Incidentally, Maxis alone accounted for some 94% of all IPO proceeds raised in 2009.

An equities research head said going forward, the IPO market would continue to be attractive, given that companies will still be able to get high valuations from listing on Bursa Malaysia.

"The market is also conducive, as financing, such as bridging loans that are crucial for listings, are also readily available for companies," he said.

Industry observers said investment banks that were involved in underwriting the IPOs were the biggest winners in terms of fee income gained from these deals.

The higher profit contributions from their investment banking divisions were already seen in some of the banking groups' recent financial results.

For the nine months of FY2010, CIMB's corporate and investment

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JCY International worst performer among IPOs

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banking profit before tax was 74.3% higher y-o-y at RM746 million, as regional capital markets improved over the past nine months.

Of the 29 new listings this year, CIMB Investment Bank Bhd was the lead adviser and arranger for four of them, including major IPOs such as PetChem and JCY International.

Maybank Investment Bank Bhd was the lead arranger for two major IPOs, CapitaMalls Malaysia Trust and MMHE, while RHB Investment Bank Bhd was the lead adviser for SunREIT, Seremban Engineering Bhd and GW Plastics Holdings Bhd.

RHB Capital Bhd, the parent of RHB Investment Bank, also posted high underwriting surplus of RM46.4 million for 9MFY10 compared with RM35.2 million a year earlier.

The equities research head, however, noted that not all IPOs continued to chart impressive performances post-listing.

Based on data compiled from Bursa Malaysia, 16 of the stocks fell after they were listed on the local bourse.

Some stocks dropped more drastically than others. JCY International was the worst performer — its share price fell 48.4% to close at 82.5 sen on Dec 24, compared with its offer price of RM1.60. The company manufactures component parts for hard disk drives.

hard disk drives.

Several factors contributed to its dismal share performance, including a weak outlook for the hard disk drive industry, major labour protests at its plant in Johor, and its latest poor financial results.

In late November, JCY International posted pre-tax and net losses of RM15.67 million and RM22.55 million, respectively, in its 4QFY2010 ended Sept 30.

Its full-year earnings came in at almost half of what analysts had forecast when the company went public.

The company attributed the latest quarter's losses to a decline in average selling prices, foreign exchange losses, as well as higher production and labour costs.

Masterskill, which rose shortly after it was listed, tumbled 45%, closing at RM2.09 on Dec 24, compared with its offer price of RM3.80 in May.

It was the second-worst performing IPO of the year.

The education group, the country's largest operator of non-government nursing colleges, posted lower net profit of RM26.2 million for 3QFY2010 ended Sept 30, down 22% from RM33.5 million a year earlier. The lower net profit was due to higher operational overheads in line with its expansion.

Masterskill succumbed to heavy selling over the past two months. It tumbled to a year low of RM2.03 on Dec 20, versus a peak of RM4.30 on July 29, on concerns that the ballooning deficit of RM46 billion in the National Higher Education Loan Fund (PTPTN) would affect student enrolment numbers. Some 95% of Masterskill's students are funded by the PTPTN.

The research head said the stocks were also in correction mode, given their high price-to-earnings ratios (PERs) when they were first listed.

"As the maximum value was extracted upfront when these stocks were first listed, it would take some time for them to rebuild their value," he said.

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EA Holdings the biggest IPO winner

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Another analyst lamented the lack of follow-up research coverage on the IPO stocks, which led to thinning post-IPO interest among investors.

Nevertheless, there were also newly listed stocks that have performed well on Bursa Malaysia.

The biggest winner would be EA Holdings Bhd, which doubled to 50 sen on Dec 24, compared with its listing price of 25 sen.

The company provides business intelligence and data warehousing solutions, sales and distribution of radio frequency identification-based tracking systems and information and communications technology (ICT) services.

The second-placed gainer was SIG Gases Bhd — the counter rose 5.17% to 61 sen on its first day of listing in August, compared with its offer price of 58 sen.

It later charted a rally that saw its share price closing at RM1.04 on Dec 24, some 79.3% above its offer price.

The company mainly manufactures liquid oxygen and nitrogen and is the third-largest industrial gas player in the country.

Sarawak Cable Bhd (SCB) was third, gaining 74.3% to RM1.22 on Dec 24, compared with its listing price of 70 sen.

Ironically, SCB, which was listed in May, did not start off well. The stock fell 3.6% to close at 67.5 sen on the first day of listing. The counter later embarked on an uptrend and hit its high of RM1.36 on Oct 25.

The company is the largest manufacturer of power cables and wires in East Malaysia.

Many investors also view the stock as a proxy to increase infrastructure

spending under the Sarawak Corridor of Renewable Energy and ahead of state elections in Sarawak.

Kimlun Corp Bhd, which was listed in June, also saw its share price rise, post-listing.

It climbed 52.6% to close at RM1.48 on Dec 24, compared with its offer price of 97 sen. The Johor-based engineering and construction service provider has a strong niche in pre-cast concrete products.

Initial public offerings

IPOs for 2010	Offer price	Closing price on 1st day	Listing date 2010	%	Closing on Dec 24	Since listing (%)
Homeritz Corporation Bhd	65 sen	66 sen	Feb 19	0.77	45 sen	-30.8
JCY International Bhd	RM1.60	RM1.46	Feb 25	-8.75	82.5 sen	-48.4
Hock Heng Stone Industries Bhd	55 sen	58 sen	Mar 26	4.55	41.5 sen	-24.5
Oversea Enterprise Bhd	23 sen	25 sen	Apr 1	8.70	16 sen	-30.4
ECS ICT Bhd	RM1.46	RM1.42	Apr 15	-2.74	RM1.29	-11.6
Turbo-Mech Bhd	63 sen	65 sen	Apr 30	3.17	61 sen	-3.2
Seremban Engineering Bhd	85 sen	81 sen	May 10	-4.71	64 sen	-24.7
Masterskill Education Group Bhd	RM3.80	RM3.96	May 18	4.21	RM2.09	-45.0
Sarawak Cable Bhd	70 sen	68 sen	May 25	-3.57	RM1.22	74.3
K-Star Sports Ltd*	RM2.15	RM2.23	June 4	3.72	39.5 sen	-44.9
Shin Yang Shipping Corp Bhd	RM1.10	RM1.11	June 23	0.91	RM1.03	-6.4
Kimlun Corporation Bhd	97 sen	97 sen	June 29	-0.52	RM1.48	52.6
Sunway REIT	90 sen	89 sen	July 8	-1.67	RM1.01	12.2
Capitamalls Malaysia Trust	RM1.00	98 sen	July 16	-2	RM1.12	12.0
EA Holdings Bhd	25 sen	66 sen	July 20	164	50 sen	100.0
Tatt Giap Group Bhd	58 sen	61 sen	July 22	5.17	51.5 sen	-11.2
Ivory Properties Bhd	RM1.00	RM1.30	July 28	30	RM1.10	10.0
SCC Holdings Bhd	78 sen	78 sen	Aug 3	Unch	56 sen	-28.2
SIG Gases Bhd	58 sen	61 sen	Aug 9	5.17	RM1.04	79.3
Berjaya Retail Bhd	50 sen	51 sen	Aug 16	1	45 sen	-10.0
Focus Point Holdings Bhd	39 sen	36 sen	Aug 23	-7.69	32 sen	-17.9
Malaysia Genomics Resource Centre Bhd	RM1.08	94 sen	Oct 5	-13.00	82 sen	-24.1
CyPark Resources Bhd	RM1.10	RM1.02	Oct 15	-7.27	RM1.36	23.6
GW Plastics Holdings Bhd	76 sen	79 sen	Oct 18	3.29	78 sen	2.6
Malaysia Marine and Heavy Engineering Bhd	RM3.80	RM4.51	Oct 29	18.68	RM5.58	46.8
China Ouhua Winery Holdings Ltd	60 sen	66 sen	Nov 3	9.17	71 sen	18.3
Petronas Chemicals Group Bhd	RM5.20	RM5.31	Nov 26	2.12	RM5.55	6.7
Careplus Group Bhd	23 sen	27 sen	Dec 6	17.39	36 sen	56.5
Sozo Global Ltd	8 sen	8 sen	Dec 17	0	71 sen	-11.3

Top 10 performing IPOs for 2010

	Listing price RM	Closing price on Dec 24 (RM)	Change from IPO price (%)
EA Holdings Bhd	0.25	0.50	100.0
SIG Gases Bhd	0.58	1.04	79.3
Sarawak Cable Bhd	0.70	1.22	74.3
Careplus Group Bhd	0.23	0.36	56.5
Kimlun Corporation Bhd	0.97	1.48	52.6
Malaysia Marine and Heavy Engineering Bhd	3.80	5.58	46.8
CyPark Resources Bhd	1.10	1.36	23.6
China Ouhua Winery Holdings Ltd	0.60	0.71	18.3
Sunway REIT	0.90	1.01	12.2
Capitamalls Malaysia Trust	1.00	1.12	12.0

Source: Bursa Malaysia, The Edge Financial Daily

Worst 10 performing IPOs for 2010

	Listing price RM	Closing price on Dec 24 (RM)	Change from IPO price (%)
JCY International Bhd	1.60	0.825	-48.4
Masterskill Education Group Bhd	3.80	2.09	-45.0
K-Star Sports Ltd*	0.72	0.395	-44.9
Homeritz Corporation Bhd	0.65	0.45	-30.8
Oversea Enterprise Bhd	0.23	0.16	-30.4
SCC Holdings Bhd	0.78	0.56	-28.2
Seremban Engineering Bhd	0.85	0.64	-24.7
Hock Heng Stone Industries Bhd	0.55	0.415	-24.5
Malaysia Genomics Resource Centre Bhd	1.08	0.82	-24.1
Focus Point Holdings Bhd	0.39	0.32	-17.9

*Note: K-Star undertook a 1-into-3 share split in Oct, post-listing. Its IPO price is hence adjusted from RM2.15 to RM0.7167

Source: Bursa Malaysia, The Edge Financial Daily