DEAL #1: HRnetGroup Limited had the largest IPO with the highest funds raised at $174m.

DEAL #2: The NetLink Trust deal is largest since IHH Healthcare Bhd's US$2b listing in 2012.

Why 2017 could be a blockbuster year

Singapore's IPOs for the first half of this year raised US$329m, and analysts expect the volume of IPO funds raised by the end of 2017 to surpass 2016 levels. Find out more about the nine IPO deals closed so far this year.

Singapore's status as one of the powerhouse financial and business hubs in Asia Pacific is helping the country's IPO and equities industries close out the year in record fashion despite a comparatively laggard first half. Industry experts and observers share their insights and analysis on what transpired in Singapore's IPO and equities industries in the first half of 2017, what can be expected in the rest of the year, as well as the kinds of challenges and opportunities for the two sectors along the way. Singapore, Southeast Asia's richest country in terms of per capita income, remains one of Asia Pacific's biggest and most vibrant economies and markets for IPOs and equities. With the country's long-standing strong economic fundamentals and financial policies, experts remain bullish that Singapore will continue its strong start in the first half of 2017 for IPOs and equities.

Singapore's IPOs for the first half of this year raised $450m (US$329m), according to the latest data and figures from PwC Singapore. The volume of IPO funds raised by the end of 2017 is also projected to surpass 2016 levels with a number of IPO deals expected to be closed in the coming months (before the end of the calendar year).

There were nine IPO deals — for both domestic and overseas stock markets — closed in the first half of this year, including one business trust transaction. If including one registration and three lodgements made in the first six months of 2017, IPO fund-raising is expected to hit $3.03b during the period, according to data from Deloitte. This is the highest figure since 2013 for Singapore IPOs.

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"We are seeing a great start to the IPO activity this year," said **Dr Ernest Kan,** deputy managing partner (markets) for Deloitte Singapore. "If we take into consideration the one registration and three lodgements as of 30 June, we are seeing unprecedented level of funds raised since 2013. This performance reinforces positive investor sentiments for Singapore's equity market."

Major deals

The nine IPOs in the first six months of 2017 have a total approximate capitalisation of $2.14b, according to data from Deloitte. Eight company IPOs raised $310m with $1.7b market capitalisation, whilst the one Business Trust transaction on the SGX mainboard raised $154m in proceeds and $440m in market capitalisation. In comparison, despite 2016 having only seven IPOs in its first half, in terms of overall value, the first six months of last year had a bigger market capitalisation of $2.24b.

"Asian IPOs including Singapore have done well so far and are expected to outperform 2016," said **Khong Choun Mun**, chief executive officer of RHT Capital. "The strong momentum achieved in the first half of 2017 is expected to continue for the rest of 2017."

Some of the major deals in the Singapore IPO and equities market are classified as a Catalist listing, a sponsor-supervised listing platform for fast growing local and international companies initiated by SGX. Of the nine IPOs, seven were Catalist listings which raised $125m funds with US$804m in market capitalisation, compared to the five registered last year with $55m funds raised and $250m in market capitalisation.

For the two main SGX Mainboard listings, the largest IPO was HRnetGroup Limited with the highest funds raised at $174m and market capitalisation of $867m, followed by Dasin Retail Trust which raised $154m with a market capitalisation of $440m. Fibre network owner NetLink NBN Trust announced its initial public offering (IPO) price at $0.81 per unit. The offering price values the market capitalisation of the trust at about $3b. The $2.3b IPO is also the biggest in Singapore since 2011 when Hutchison Port Holdings Trust raised $7.6b, and the second largest IPO in Asia this year after the listing of Netmarble Games Corp in South Korea.

The NetLink Trust deal will "change the discourse/sentiment on Singapore IPOs for 2017," according to **Romaine Jackson**, head of Southeast Asia at Dealogic, with the transaction being the "sixth largest flotation in Singapore history and the largest since IHH Healthcare Bhd's US$2b listing in July 2012. If the deal goes well, it will positively impact investor sentiment."

This sentiment is echoed by **Tham Tuck Seng**, capital markets leader at PwC Singapore. He says that although Singapore's first half of 2017 IPO volume lagged behind 2016 figures of the same period in terms of fund raised, he expects the full year 2017 volume to surpass that of 2016 with the listing of NetLink Trust leading the way." In terms of sectors, SGX's traditional strengths in Real Estate Industrial Trusts (REITs) and business trusts, also comprised a significant portion of the country's IPO proceeds for the first half of 2017 at 33%, after professional services at 41%.

Singapore integral to Asia Pacific drive

Asia Pacific, with its size and the stellar economic growth of its countries over the past few years, remains the biggest and most significant region in terms of growth and development in the IPO and equities markets in the first half of 2017. With the region headlining the strongest first half rally in nearly a decade, the global IPO market saw proceeds reach US$83.4b — a 90% rise from the same period last year — with the number of deals also rising

Top exchanges for cross-border IPOs

Source: Baker McKenzie


Marcus Chow


Ernest Kan


Khong Choun Mun


Max Loh


Mohamed Nasser Ismail


Romaine Jackson


Tham Tuck Seng

significantly by 70% to 772 registered IPOs compared to the first half of 2016, according to data by Ernst & Young.

Of this record figure, the Asia Pacific region accounted for 61% or 468 IPO deals and 44% or US$37b of all proceeds of the global IPO market — this is the highest first half of activity for the region since 2002. This is a remarkable development despite the continuous uncertainty. "Asia Pacific's position as the leading center of IPO activity is unlikely to be challenged through the remainder of 2017 with Greater China leading the way," said **Max Loh**, EY's ASEAN and Singapore managing partner, adding that the region's sustained growth and development momentum underpinned by stable fundamentals have continuously painted a positive economic and financial outlook over the years.

He added that across ASEAN, investor confidence is strengthening due to the growth of the global and Southeast Asian economies. "The Singapore Exchange (SGX) is likely to lead the IPO pipeline for Southeast Asia in the second half of 2017, being well-positioned as a platform for growth, alongside Indonesia, Thailand, and the Philippines."

Challenges, opportunities

However, it's not always rainbows and butterflies for the Singapore IPO and equities landscapes, at least, for this year as some challenges in the horizon are looming. Jackson describes that there is some sort of drought in IPOs in Singapore given the "lack of liquidity in the market outside of REIT issuances" which drives investor sentiments to be "ultra-conservative when compared to Hong Kong."

"Deal flow is down year on year, with no jumbo deals (more than US$1b) so far this year. This will change with NetLink's IPO (largest deal in 5 years). Listing rules may be deterring foreign listing in Singapore. There are also concerns that Singapore is losing its appeal as a regional fundraising hub," the Dealogic official added.

Another challenge that the Singapore IPO and equities landscape is facing is the increasing global competition for potential listings. Dr Kan shares that some companies are looking at other bourse operators or are being invited by them. "Other bourse operators are actively inviting potential listing candidates to list on their stock exchange," he shared. Some examples include the London-based NEX Exchange being in Singapore for the "NEX Exchange Asia Roadshow 2017" in February of this year, and the Tokyo Stock Exchange hosting an IPO seminar targeting "high-quality tech companies" in June. As part of the Australian Stock Exchange (ASX) Spotlight Series in 2014, the ASX has also held ASX Spotlight Investor Conferences in a few countries, including Singapore twice each year.

Dr Kan also shares some local companies who are heading (or are considering) to overseas exchanges. This includes Singapore based tech startup Sea (formerly Garena) in the business of online gaming and e-commerce mobile shopping and payment services which is planning an IPO in New York to raise around $1b Osim International, which operates 172 stores in mainland China, 35 in Hong Kong, and 26 stores in Singapore, officially delisted from SGX in April and is preparing an IPO in Hong Kong as V3 Group, described as an Asian luxury group in the lifestyle and wellness markets.

But experts remain firm about Singapore IPO and equities industries to bounce back and retain its appeal as frontrunner in both sectors, with the SGX and the government continuing to design and implement policies to keep up with the times and trend — particularly in terms of technology. "There should be greater investment liquidity in the second half of 2017, which will be good news for companies that are planning to go public," Loh says. "The SGX is making efforts to help local technology companies access the capital market, and this should drive IPO transactions in the near future."

This is echoed by Dr Kan, saying that SGX's active engagement with technology startups and small and medium-sized enterprises in terms of attracting investment from private and public capital markets to support their expansion will make for a good future for Singapore IPOs and equities. PwC's Seng added that "SGX continues to be the preferred destination for raising debts given its less complicated compliance structure for debt listing and fast approval." But as markets in the region become more sophisticated, competition will get more intense.

Outlook

"Singapore has seen a flurry of equity markets activities with several Singapore related companies listing on the SGX and the Hong Kong Stock Exchange," said **Marcus Chow**, corporate partner at Bird & Bird TMD. "The next 12 months look sanguine and we are optimistic that conditions for book building will hold."

PwC's analysis suggests that rising sectors such as consumer and professional services will continue the uptrend with Singapore's position as one of the main business and financial services centres in the region. Healthcare is also expected to maintain its position as a strong contributor to Singapore IPO and equities industries, while the island state is also expected to remain the choice listing destination for REITs and business trusts with notable interest from Chinese-based real estate players. "We are expecting a strong pipeline of blockbuster listings in the second half of 2017, and coupled with the strong post-IPO performance of the companies listed in the first half of 2017, Singapore's market is buzzing with excitement," says Dr Kan.

Apart from the country's traditionally strong fundamentals and stable economic policies helping outlook to remain upbeat, experts are sharing tips on how the Singapore IPO and equities market can stay ahead of the competition and continue its growth momentum.

"With Singapore's pro-business environment and strong fundamentals — such as transparent regulatory regime, international exchange, and relatively quick time to market — Singapore remains a premier location for capital fundraising," says PwC Singapore's Seng. "For Singapore to remain ahead of the curve, we must continue to maintain our existing strengths (e.g. REITS and business trusts) and capitalise on new opportunities."

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HONG KONG VIEW

Upbeat outlook for IPO, equities

Hong Kong is likely to remain the region's leading hub not just for financial and commercial transactions, but also for international fundraising and IPOs. Given this, Hong Kong's IPO market remained active in the first half of 2017, achieving increases in both number of listings and funds raised.

A vibrant market in small to medium-sized IPOs contributed to more-than-double listings and funds raised on the Growth Enterprise Market (GEM) board of the Hong Kong stock exchange. This is despite the economic and political uncertainties around the world. "We credit this to improving the market sentiment and economic conditions, which has also enhanced the quality of Hong Kong's capital markets," said Eddie Wong, PwC Hong Kong Capital Markets service partner, in a statement.

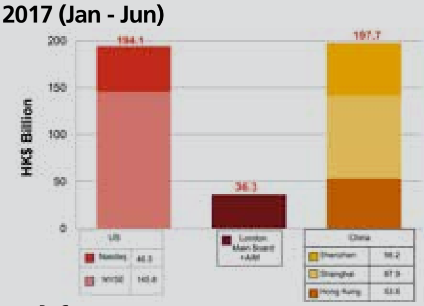
Record-breaking IPOs

PwC forecasts a vibrant IPO market for Hong Kong driven by small and medium-sized enterprises that could result in a record-breaking 150 IPOs over the course of the year. There is still also a chance for some mega-sized IPOs before year-end, making Hong Kong one of the 3 strongest markets globally, with total fundraising of HK$220b.

This is echoed by findings and analysis of Baker & McKenzie saying that the Stock Exchange of Hong Kong surpasses London (both Mainboard and AIM), the New York Stock Exchange, and the NASDAQ as the preferred hub for cross-border listings globally.

"The second half of 2017 could be more challenging. Market sentiment may be affected by economic and political risk factors around the world," said Benson Wong, entrepreneur group leader of PwC Hong Kong, in a statement, adding that geopolitical issues, slow global economic recovery, and Brexit can dampen business sentiment. "We also expect a slowdown in IPO activity in mainland China after a spurt of listings in the first half of the year." He explains, however, that with the Chinese economy still maintaining mid to high-growth, this is "encouraging the development of Chinese companies and increasing demand for fundraising." The Chinese government's One Belt, One Road Initiative will also likely to play a big boon to the Hong Kong economy in general."It is believed that the ability of Hong Kong to allow dual-class shares companies and attract technology firms are the key issues for Hong Kong's IPO market in the future," said Winni Chan, Norton Rose Fulbright partner.

Comparison of funds raised of new listings in 2017 (Jan - Jun)



Source: PwC