

Southeast Asia bourses show strong performance in 2018 even as companies in region look beyond their local shores



- Vietnam emerges as top performer in Southeast Asia with largest funds raised in 2018
- Companies in the region have more options and are increasingly exploring overseas listing
- Singapore's capital market experienced a slowdown in 2018, compared to 2017

Capital markets across Southeast Asia have performed well, having produced 135 initial public offerings (IPOs) in 10.5 months of 2018, raising S\$12.0 billion in total funds raised. This performance has been led by Vietnam and Thailand, which respectively accounted for 52% and 26% of total funds raised. This compares to 178 IPOs for the full year 2017, which raised S\$13.5 billion.

The top three blockbuster listings in Southeast Asia came from Vietnam and Thailand. Vinhomes Joint Stock Company took the top spot in Southeast Asia with S\$3.6 billion raised, followed by Thailand Future Fund which raised S\$1.8 billion, and Vietnam Technological and Commercial Joint Stock Bank which raised S\$1.2 billion.

In Vietnam, the IPO capital market raised a total of S\$6.2 billion as at 15 November 2018, far exceeding the funds raised in the past years. This was due to several factors including the Vietnam government's privatisation drive and market reforms, strong interest from foreign investors and local funds, as well as the high GDP growth of 6.8% in 2018.

"With the Vietnam Finance Ministry proposing to remove the 49% foreign ownership cap for listed companies, and the stock exchange streamlining the listing and IPO process, we can expect the Vietnam IPO market to continue to do well in the next few years," said Ms TAY Hwee Ling, Global IFRS & Offerings Services Leader, Deloitte Southeast Asia and Singapore.

On top of their own local exchanges, companies in the region are looking overseas. In the past five years from 2014 to 2018, Southeast Asian companies raised a total of SG\$3.6 billion on overseas exchanges, indicating that companies in the region are open to explore their options outside of their country to raise funds.

The most popular exchange outside of the region is Hong Kong, where S\$3.2 billion was raised by Southeast Asia companies over the last five years. However, the average cross-border IPO funds raised in 2018 is lower than the average funds raised by companies in their domestic exchanges within Southeast Asia. Take Singapore for example, in 2018, the average funds raised by Singapore companies listed in Hong Kong was S\$18 million per IPO, while the average funds raised by Singapore companies listed on the SGX was S\$30 million per IPO.

"Traditionally, companies tend to list in the countries where they do their business in, which is typically their home country where they have established their brand locally. However, the tide appears to be shifting, and companies are looking for opportunities in overseas exchanges," said Hwee Ling.

"There are several reasons for this shift, for example, companies may feel that they want to raise capital in markets they hope to expand into, or they lack confidence in their local markets' ability to

help them raise the funds they require to grow. This is where local bourses need to step up their game and educate their local companies on the benefits of listing locally,” Hwee Ling added.

In addition, another playing field has come about with Singapore’s first private securities exchange 1Exchange launched this month. It provides private companies the ability to trade in their simplified securities by leveraging technology to create simple, regulated, and cost-effective liquidity options for both private companies and investors. This presents another option for regional and global companies to raise capital.

In Singapore, the Singapore Exchange (SGX) saw 13 IPO deals this year as at 15 November 2018 and the total amount of funds raised of S\$715 million, an 85% fall from full year 2017’s S\$4.6 billion. This includes two company IPOs and one trust on SGX Mainboard with S\$134 million and S\$422 million funds raised respectively. On the Catalist board, 10 deals raised S\$159 million.

The healthcare and Food & Beverage (F&B) sectors continue to do well on the Singapore bourse. In the past five years, there have been 11 healthcare companies IPOs, performing at an average 17% share price (above water) to date. In the same period, six F&B companies listed that had an average price earnings ratio at IPO of 11.5, with sizeable funds raised and market capitalisation.

Looking at 2019, Hwee Ling expressed cautious optimism for Singapore’s capital markets. “Depending on the stability of the global economy, we can expect the IPOs that have been delayed in 2018 to seek listing in the first quarter of 2019, and potentially some IPOs from the REITs and also from the healthcare and F&B sectors. 2019 will see increased vibrancy in the markets when some of SGX’s initiatives in 2018 come to fruition, including the anticipation of the first dual class shares listing since the announcement earlier this year,” said Hwee Ling.