

MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Registration No.: 200001022382 (524989-M))

New Straits Times, Business Times – Tuesday, 21 December, 2021 (C)

2022 LISTING PIPELINE

ANALYSTS SPLIT OVER IPO OUTLOOK

Economic recovery may boost demand but weak sentiment to temper risk appetite

KUALA LUMPUR

ANALYSTS are divided over Malaysia's initial public offering (IPO) environment for next year following a turbulent 2021 marked by numerous economic and geopolitical challenges.

Some analysts, citing domestic economic recovery, believed that the ample government stimulus packages would boost optimism in the IPO scene.

"I think the appetite for IPO should move in tandem with the improving economic conditions," said Bank Islam Malaysia Bhd chief economist Dr Mohd

Afzanizam Abdul Rashid.

He said an economic recovery would mean better risk appetite and lead to stronger demand for IPOs, given their high risk-reward ratio.

But Afzanizam warned that the timing was crucial as market sentiments could change instantly.

"Therefore, finding a balance between funding needs requirement and market sentiments will always be part and parcel of IPO decisions," he added.

FSMOne Research manager Jason Wong Jia Jun said 2022 would be a difficult year for IPOs.

"On one hand, after a year of prolonged lockdowns, we now

see some companies that have delayed their IPOs as well as new companies looking to access the capital markets.

"On the other hand, political uncertainties, weak market sentiment and low valuations could stop them from going public."

He said domestic political uncertainties had weighed on market sentiment while valuation concerns might deter some companies from listing at this juncture until the situation had improved.

Affin Hwang Asset Management senior director of equities Gan Eng Peng said 2022 would not be a strong year for listings.

He said IPOs tended to correlate with the strength of the market and the current weakness might not provide the value that companies were looking for.

He said there could be more private equity activity given the build-up of unspent private equity fundraising focusing on Asia.

"Likewise, there could also be more mergers and acquisitions (M&A) as well as privatisation and delisting exercises as owners take advantage of cheap valuation and the relatively cheap funding available," he said.

When asked if new tech companies might see potential in listing on Bursa Malaysia next year, Gan said Malaysia, unfortunately, was not a hotbed of digital financial startups.

"Neither is it a natural market for such listings. We do have a smattering of small-cap clean energy names but most of them have not captured the imagination of mainstream investors

yet," he added.

Minority Shareholders Watch Group chief executive officer Devanesan Evanson said based on the current scenario, the outlook for the IPO market was not bullish.

He said the region's ongoing geopolitical tensions and the domestic political and economic landscape did not encourage a vibrant IPO pipeline.

"But, again, it is all about valuations as offerors seek a market that is capable of accepting higher IPO prices."

Devanesan also said environmental, social and governance agenda and sustainability were important considerations for potential companies seeking to go for listings, especially if they were seeking institutional cornerstone investors.