

BEST IPO

# SunCon a key beneficiary of infrastructure spending

BY LIEW JIA TENG

Seven years after it was privatised, Sunway Construction Group Bhd (SunCon), the construction outfit of Sunway Bhd, made a comeback to Bursa Malaysia on July 28.

It is worth noting that SunCon is the second largest initial public offering (IPO) of the year after Malakoff Corp Bhd. It had a market capitalisation of RM1.55 billion at the time of listing and the IPO proceeds were RM478 million.

Given that it was a sizeable deal that has attracted international investors, the landmark relisting of SunCon was selected as the best IPO of *The Edge's* Best Deals of the Year 2015. The counter has outperformed the FBM KLCI by 20%.

RHB Investment Bank (RHB IB), which structured the deal, says the oversubscription of SunCon shares being offered to institutional and selected investors and public investors reflects investor confidence in the builder's solid fundamentals and future prospects.

RHB IB was the sole principal adviser, joint bookrunner and joint underwriter for this IPO. The bookbuilding tranche offered to institutional and selected investors was oversubscribed 4.6 times while the public portion was oversubscribed 2.66 times.

Year to date, SunCon, which is the country's largest pure play construction company by revenue, has secured RM2.2 billion worth of projects. It has an outstanding order book of about RM4.3 billion that will keep the company busy over the next three years.

"It is supported by fresh bargain hunting for construction stocks on the back of

Budget 2016, as infrastructure spending is one of the key focus areas," says RHB IB.

On its market debut, SunCon's share price hit a high of RM1.32, 10% above its IPO price of RM1.20. The counter rose to its peak of RM1.44 on Dec 3. At the closing price of RM1.42 last Wednesday, the company has a market capitalisation of RM1.83 billion.

Astramina Advisory Sdn Bhd, which nominated the listing for Best IPO, highlights that SunCon's share price closed at about a 15% premium as at Dec 8, compared to its listing price.

The local advisory firm, which is headed by managing director Wong Muh Rong, says the IPO has rewarded existing shareholders of Sunway Bhd by distributing about 175 million SunCon shares to entitled shareholders by way of dividend-in-specie.

Sunway retained a controlling stake of more than 54% in SunCon after the listing.

In the nine months ended Sept 30, 2015 (9MFY2015), SunCon reported a net profit of RM97.8 million, on revenue of RM1.44 billion. The construction segment contributed RM1.24 billion in revenue and a profit before tax of RM53.1 million, while the pre-cast segment recorded revenue of RM200.2 million and PBT of RM56.9 million.

UOBKayHian initiated coverage on SunCon in a Dec 10 research note with a "hold" rating and a target price of RM1.40.

"We like SunCon for its diverse construction capabilities, for being able to handle both general and specialist jobs, as well as its good track record and strong outstanding order book," it says.

SunCon is one of the key beneficiaries of the high infrastructure development spending in Malaysia, says the research team, adding that a good entry price is RM1.25. ■



SAM FONG WEI MEUTHE/EDGE

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## Initial public offering

	DETAIL	ADVISER
Best deal	Initial public offering of 398.7 million shares of Sunway Construction Group Bhd at RM1.20 per share	RHB Investment Bank Bhd, Maybank Investment Bank Bhd and HSBC
Notable mentions	Initial public offering of 1.52 billion shares of Malakoff Corp Bhd at RM1.80 per share	Maybank Investment Bank Bhd, CIMB Investment Bank Bhd, RHB Investment Bank Bhd, Credit Suisse and J.P. Morgan
	Initial public offering of 56.4 million shares of Only World Group Bhd at 88 sen per share	Public Investment Bank Bhd
Other nominations	Initial public offering of 129 million shares of E.A. Technique Bhd at 65 sen per share	RHB Investment Bank Bhd
	Initial public offering of 800 million shares of Red Sena Bhd at 50 sen per share	CIMB Investment Bank Bhd

# IPOs slow to 25-year low

BY JANICE MELISSA THEAN

2014 was a dismal year for initial public offerings (IPOs) on Bursa Malaysia, 2015 did not fare that much better in terms of funds raised.

A total of RM4.35 billion was raised during the year, which was an improvement from 2014's RM3.94 billion, but just about half of the RM8.19 billion raised in 2013 and less than a fifth of the RM22.9 billion seen in 2012, excluding exchange-traded funds.

The local bourse only saw 11 new entrants this year, shrinking from 14 last year and 17 in 2013.

The last time the local bourse saw numbers this low was over 25 years ago in 1988, when there were just six new listings. The dry stretch started in 1985 with only four listings, but things began to pick up again in 1989, with 13 new entrants.

The number of listings gradually grew, peaking at 92 in 1996 just before the Asian financial crisis hit the following year. But Bursa only felt the full force of the crisis in 1998 when new listings slumped to 28, compared with 88 in 1997.

Things have come full circle. Following the 2008 global financial meltdown, the local bourse saw IPOs fall to just 14 in 2009. The next year saw a recovery to 29 IPOs, which raked in RM19.9 billion in value.

Now, three years after 2012, the year of mega IPOs, which saw major listings such as those of Fel-da Global Ventures Holdings Bhd, Astro Malaysia Holdings Bhd and IHH Healthcare Bhd, the market remains muted.

The three IPOs alone raised a massive RM22.67 billion, 99% of the entire market's listings that year.

A lacklustre 2015 was also partly thanks to many postponed IPOs, including that of helicopter services provider Weststar Aviation Services Sdn Bhd, pegged at RM4.8 billion, Sime Darby Bhd's automotive business (estimated at RM1.8 billion), and Iskandar Waterfront Holdings Sdn Bhd (RM930 million).

The saving grace this year was the listing of MMC Corp Bhd's power-producing arm Malakoff Corp Bhd.

Originally slated for its second outing on the local bourse in 2014, Malakoff made its much awaited comeback in May. It had been privatised in 2007 by MMC Corp Bhd, which owned 22% of the independ-

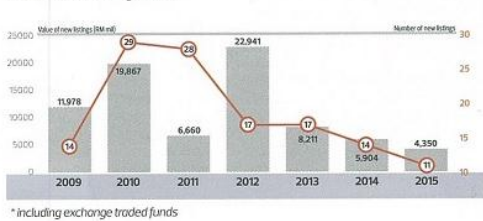


Raising RM2.74 billion, Malakoff Corp's IPO was the largest this year



This year's top performing IPO is Sunway's SunCon, which raised RM478 million in end-July

## IPOs over the years



\*Including exchange traded funds

ent power producer (IPP) then.

It was the largest IPO this year, raising RM2.74 billion – a welcome reprieve considering that it had to postpone the listing because of its power plant maintenance schedule.

Malakoff is the largest IPP in Southeast Asia with a total effective power generation capacity of over 6,000MW and effective water-production capacity of some 360,000 cu m.

By 2020, it plans to raise its power generation capacity to 10,000MW and water production capacity by 15%.

Even so, the market did not seem to take too well to the IPO and the stock closed down 2.8% at RM1.75 on its maiden trading day.

By year-end, Malakoff proved to be among the worst performing IPOs, falling 8.6% since listing to close at RM1.60 on Dec 16 for a market capitalisation of RM8 billion.

## Notable mentions

While no other IPO touched the billion-ringgit mark in 2015, Bursa saw three other notable listings: Sunway Construction Group Bhd (SunCon), Al-Salam Real Estate Investment Trust and food and beverage special purpose acquisition company (SPAC) Red Sena Bhd.

Red Sena is the first non-oil and gas SPAC to list on Bursa since the local bourse first introduced the model in 2009.

The F&B SPAC's IPO came when Securities Commission Malaysia was tightening its rules on SPACs.

While this has been an ongoing process with three O&G SPACs on the market (Hibiscus Petroleum Bhd graduated to become an oil and gas company in April 2012 following the acquisition of its qualifying asset or QA), Red Sena has the longest moratorium on its shares yet.

The management's lock-up peri-

od is three years after completing the acquisition of its QA and an accumulated profit after tax of RM107 million following the QA.

Red Sena is keeping risk low by targeting fairly established F&B businesses, with a focus on branded, processed and ready-to-consumer or ready-to-cook products, and probably not restaurants.

The SPAC made a weak debut, ending its maiden trading day at 37.5 sen, 25% lower than the issue price, for a market capitalisation of RM380 million. Since then, it has regained a marginal 2.7%, closing at 38.5 sen on Dec 16.

SunCon raised RM478 million in end-July, Al-Salam REIT RM252 million in end-September, and Red Sena RM400 million on Dec 10.

SunCon is Sunway Bhd's construction arm, the product of the 2011 merger of Sunway Holdings Bhd and Sunway City Bhd. The IPO made SunCon a pure construction play, having carved out the property and quarry divisions.

Year to date, the company has won RM2.6 billion in jobs, exceeding management's target of RM2.5 billion. It has an order book of RM4.3 billion.

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## IPO performance for new listings as at Dec 16, 2015

COMPANY	MARKET	ISSUE PRICE (RM)	LISTING DATE	LEAD MANAGER	SHARES LISTED (ML)	AMOUNT RAISED (RM MIL)	OVERSUBS CRPTION RATE (TIMES)	CLOSING PRICE ON LISTING DAY (RM)	PREMIUM/DISCOUNT ON LISTING DAY (%)	CLOSING PRICE ON DEC 16 (RM)	CHANGE (CLOSING PRICE-ISSUE PRICE) (%)	CHANGE SINCE LISTING DAY (%)
Kim Teck Cheong Consolidated Bhd	ACE Market	0.15	Nov 25	RHB Investment Bank Bhd	511	21.3	45.66	0.32	113.3	0.29	93.3	-9.4
Ikhtmas Jaya Group Bhd	Main Market	0.57	Jul 27	AmlInvestment Bank	520	103.7	8.16	0.82	43.9	0.685	20.2	-16.5
Sunway Construction Group Bhd	Main Market	1.2	Jul 28	RHB Investment Bank Bhd	1,293	688.5	4.6	1.2	0.0	1.42	18.3	18.3
Xin Hwa Holdings Bhd	Main Market	0.7	Jun 30	Public Investment Bank Bhd	180	37.8	18.74	0.86	22.9	0.99	41.4	15.1
Sedania Innovator Bhd	ACE Market	0.38	Jun 29	Kenanga Investment Bank Bhd	200	19.6	20.3	0.415	9.2	0.44	15.8	6.0
Bioalpha Holdings Bhd	ACE Market	0.2	Apr 14	Kenanga Investment Bank Bhd	463	20.0	32	0.27	35.0	0.3	50.0	11.1
Al-Salam REIT	Main Market	1	Sep 29	RHB Investment Bank Bhd	580	252.4	2.96	1.05	5.0	0.955	-4.5	-9.0
Dolphin International Bhd	Main Market	0.68	Jun 09	Hong Leong Investment Bank Bhd	222	31.3	6.17	0.715	5.1	0.785	15.4	9.8
Malakoff Corp Bhd	Main Market	1.8	May 15	CIMB Investment Bank Bhd	5,000	2,739.1	13	1.75	2.8	1.6	-11.1	-8.6
Aemulus Holdings Bhd	ACE Market	0.28	Sep 15	TA Securities Holdings Bhd	439	36.9	13.05	0.395	41.1	0.455	62.5	15.2
Red Sena Bhd	Main Market	0.5	Dec 10	RHB Investment Bank	1,000	400.0	4.49	0.375	-25.0	0.385	-23.0	2.7

## SunCon ends up as top-performing IPO for the year



Red Sena is the first F&B SPAC to list on Bursa, raising RM400 million on Dec 10

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The group made a weak debut, closing flat at RM1.20 on its first day of trading. But by year-end, the counter turned out to be one of Bursa's top-performing IPOs this year, gaining 18.3% to close at RM1.42 on Dec 16 for a market capitalisation of RM1.8 billion.

Al-Salam REIT came to the market with an initial portfolio of 31 assets worth RM903 million. Some of its properties are Menara Komtar, @Mart Kempas and KFCH International College.

Its strategy is to hold a diversi-

fied portfolio, with almost 70% of assets presently in the retail sector and 30% in F&B.

It intends to double its asset base to RM2 billion in the next two to three years from RM903 million now.

Al-Salam REIT made a decent debut on the local bourse, closing 5% up at RM1.05 on its maiden trading day. This remains the REIT's high for the year as the market has not looked upon it kindly since and the stock has shed 9% to close at 95.5 sen on Dec 16 for a market capitalisation of RM553.9 million. ■