

## Chill sweeps over Malaysian IPOs as market turns hostile

**KUALA LUMPUR:** The stalling of Malaysia's once-inspired IPO market is threatening to turn into a slump, weighed down by a worsening economic outlook, currency volatility and dismal performances by some of last year's biggest debutantes.

Sentiment has turned so adverse that even the presence of cornerstone investors may not assure a positive market debut.

Malakoff Corporation Bhd, Malaysia's largest initial public offering so far this year, attracted droves of institutional investors in a sale that raised RM2.74 billion (US\$769 million).

Yet the power producer ended unchanged from its IPO price on its first day of trade on Friday.

The lacklustre performance was preceded by price declines in some of last year's largest market debutantes.

Since June 2014, Boustead Plantations Bhd has dropped 14 per cent from its IPO price with the recent commodities bust, while Icon Offshore has plunged a steeper 69 per cent.

As yesterday's stars fall to earth, potential IPO candidates find they have more convincing to do when they approach investors.

While big companies like Edra Global Energy, part of a state fund, can still lure domestic institutional funds with their sizable assets, small firms and start-ups are staying away.

Some are even considering raising funds abroad.

One possible IPO this year is a provider of helicopter services to oil and gas companies founded by a former army major.

Weststar Aviation Services is planning to raise up to US\$500 million in the second half of 2015, people familiar with the matter said.

But Malakoff's underwhelming performance is doing little to lift confidence for Weststar and other IPO candidates.

"We don't have the green light to go ahead yet, but the second half is still on the table," a source with direct knowledge of the IPO told Reuters on Friday.

"All depends on the market, and from what I see it, it is still weak."

Bucking the downtrend in the past year is convenient store chain 7-Eleven Malaysia, which has risen 23 per cent from its IPO price thanks to the country's still-

resilient private consumption.

Still, there is more bearish news than good. Slumping energy prices have cut Malaysia's oil and gas revenues. The country's currency, the ringgit, has dropped to six-year lows against the dollar.

Foreigners turned net sellers of Malaysian equities in the six months to the end of March.

Fitch has put Malaysia's sovereign credit rating under review with a negative outlook, citing concerns over the country's fiscal position and contingent liabilities such as those from state fund 1MDB.

To help repay its debts totalling US\$11.6 billion, 1MDB is looking to raise US\$3 billion in an IPO of its electricity assets by listing its Edra Global Energy unit this year.

If all the big listings - including Edra and Weststar Aviation - materialise this year, IPO proceeds would total over US\$4 billion, improving from 2014 and 2013.

That, though, would still be less than the more than US\$7 billion raised in 2012. So far, the listing of Edra has been delayed several times. One other IPO has also been postponed indefinitely.

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## Listing of Weststar Aviation on the cards if market conditions improve

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Syed Azman Syed Ibrahim, who founded The Weststar Group, told Reuters a listing of Weststar Aviation is on the cards as soon as market conditions improve.

The unit has already drawn the interest of KKR, which took a minority stake worth RM642 million in 2013, the private equity giant's only investment in Malaysia.

Weststar Aviation's clients include Exxon Mobil Corp and Malaysia's state oil firm Petroliam

Nasional.

Syed Azman hopes Weststar Group, which has businesses in the automotive, defence and construction sectors, can double in sales over the next five years.

"By 2020, I want the automotive business to be even bigger than the aviation business. And possibly see an IPO," he said.

While Syed Azman talks of IPOs, some companies are shelving theirs.

Sime Darby Bhd, the world's largest listed palm oil firm, has

indefinitely postponed an IPO of its automotive business that bankers had said could raise up to US\$500 million.

The uncertain outlook is persuading Swiftlet Eco Park, a Malaysian producer of bird's nest, to consider listing in the United States, hoping to fetch higher valuations there.

Roaming service provider Flexi-roam is planning to raise up to A\$12 million (US\$9.63 million) on the Australian Securities Exchange.

"We chose ASX because there

are peers for benchmarking. ASX also offers good valuation for technology companies in fast-growing industries like ours," Flexiroam CEO Jeffrey Ong told Reuters.

Aries Telecom, which aspires to build a terrestrial high-speed network in Southeast Asia, is exploring the possibility of listing in London, a source close to the

company told Reuters on Friday, adding that no decision has been made yet.

The telecoms group could not immediately comment. — Reuters



Syed Azman, founder of Weststar Aviation, poses for a photograph in front of a helicopter in Kuala Lumpur. Weststar Aviation Services is planning to raise up to \$500 million in the second half of 2015. — Reuters photo