

# Equity capital market watch

Singapore, H1-2021 Review





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# I. Overview

## A. IPOs and FO - Global

The proceeds from initial public offerings (IPOs) raised globally in the first half of this year are already over 80% of the IPO funds raised in 2020. Such strong positive global market conditions were driven by continued government-backed stimulus programmes, post-pandemic optimism fuelled by vaccine rollouts and improved macroeconomic indicators.

The total IPO funds raised globally<sup>1</sup> from 1 January 2021 to 31 May 2021 (H1-2021) increased significantly to US\$282.0 billion from US\$62.9 billion raised in the same period last year (Exhibit 1). The US, China and Hong Kong continued to dominate the global IPO arena during this period, accounting for nearly 76% of the total global IPO proceeds raised (Exhibit 2).

The listing momentum from Special Purpose Acquisition Companies (SPACs) continue to accelerate in 2021, with total proceeds from listings in the US amounting to US\$103.7 billion. This accounts for about 37% of the total global IPO proceeds raised in the first half of this year.

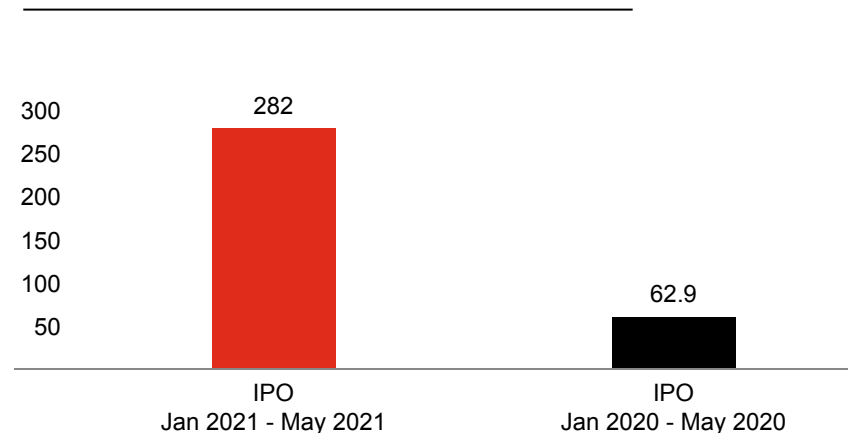
Notably, what has previously been largely a US phenomenon is now beginning to feature in other markets. The SGX has also launched a public consultation paper in the first quarter of this year, seeking feedback on the proposed framework for SPAC listing on the SGX Mainboard<sup>2</sup>.

1: IPO and FO data from Dealogic, as at 31 May 2021. Only transactions with a minimum of US\$5 million money raised included. Proceeds include over allotment option (if exercised). Data excludes PIPOs and transactions on Over-The-Counter exchanges. In case of IPOs on two or more exchanges, the full amount of money raised is attributed to all exchanges. The same applies to countries and regions. This does not apply to two exchanges within the same country or two countries within the same region.

2: Consultation paper on Proposed Listing Framework for Special Purpose Acquisition Companies, SGX, 31 March 2021

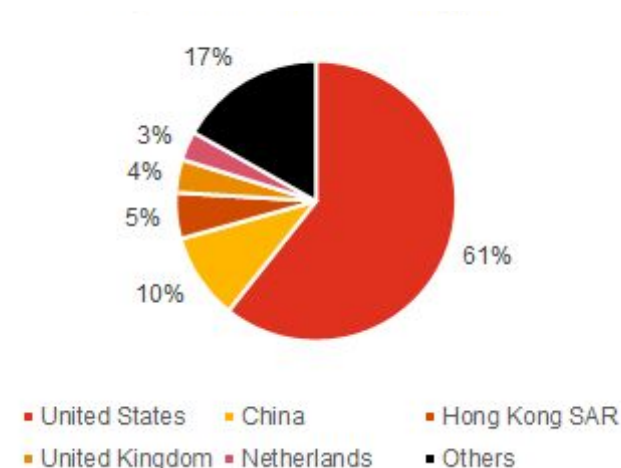
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**Exhibit 1: Global IPO fund raised (US\$'billion)**



Source: Dealogic. May 2021

**Exhibit 2: Top contributing countries - Jan 2021 - May 2021**



Source: Dealogic. May 2021

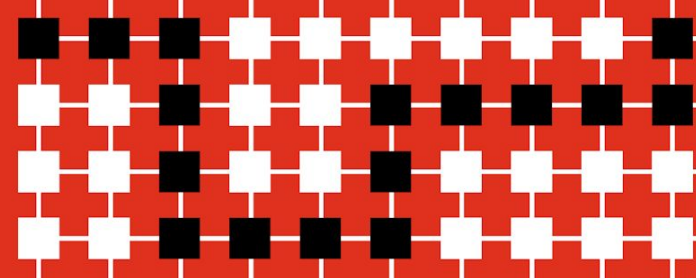
# I. Overview

## A. IPOs and FO - Global

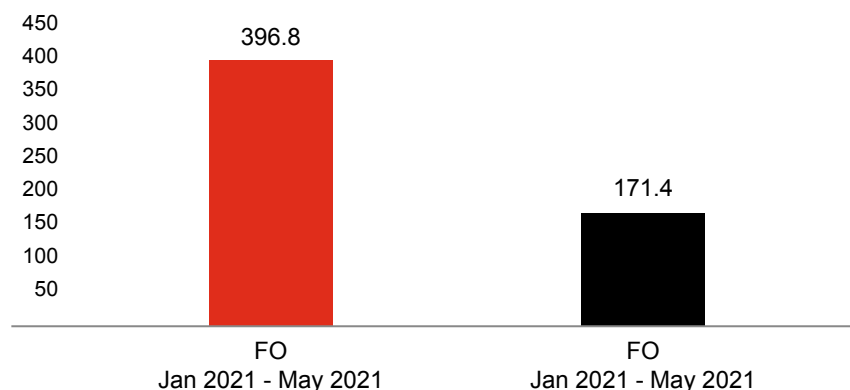
In H1-2021, companies in the technology and financial services sectors raised the highest amount of FO funds, while SPACs accounted for approximately 11% of the FO proceeds raised globally. The SPACs raised funds largely through PIPE funding, a common mechanism used by SPAC to finance their intended acquisition of target companies.

FO fund raised globally, between 1 January 2021 and 31 May 2021, increased to US\$396.8 billion from US\$171.4 billion<sup>1</sup> in the same period last year (Exhibit 3). The US market saw the highest amount of FO fund raised (Exhibit 4), representing 41% of total global FO fund raised during the H1-2021 period.

With the growing number of SPAC IPOs during the period under review, we believe that FO activities will continue to be vibrant for H2'2021 as these newly-listed SPAC will continue to tap on the FO market to raise funds for their acquisition mandates.

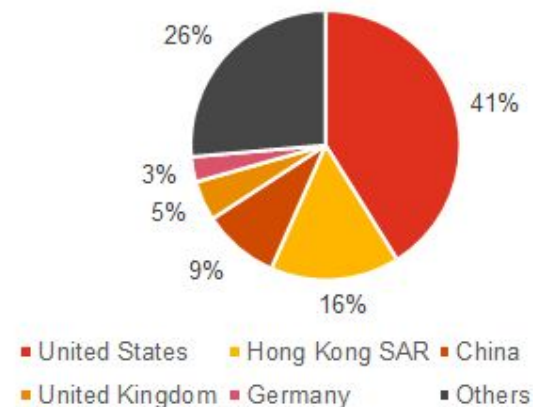


**Exhibit 3: Global FO fund raised (US\$'billion)**



Source: Dealogic. May 2021

**Exhibit 4: Top contributing countries - Jan 2021- May 2021**



Source: Dealogic. May 2021

# I. Overview

## B. IPOs and FO - Singapore

The Singapore IPO market performance for H1-2021 was down compared to the corresponding period last year. The number of new IPO fell from five in H1-2020 to only three in H1-2021<sup>1</sup>. Total funds raised also declined from S\$0.7 billion in H1-2020 to S\$0.4 billion raised in the same period this year (Exhibit 5).

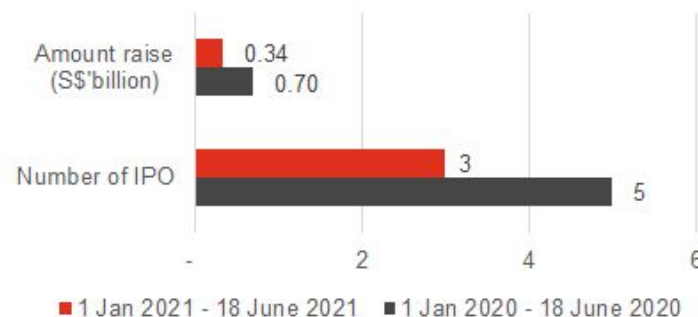
It was also an unusually quiet first half for Real Estate Investment Trust (“REIT”) listing as SGX did not witness any new REIT IPO in H1-2021. This is in contrast to H1-2020 when SGX saw two newly listed REITs, raising combined funds of S\$0.68 billion.

The listing of Aztech Global Ltd on the SGX Mainboard marked the largest local IPO in H1-2021, with the company raising S\$314.4 million (Exhibit 8). This highlights a positive trend of non-REIT IPO successfully making their debut on the SGX Mainboard in recent years.

The number of FOs for H1-2021 increased to 16 from four in the same period last year. Fund raised via FO transactions have also increased significantly from US\$0.4 billion in the corresponding period last year to US\$2.7 billion in H1-2021 (Exhibit 6).

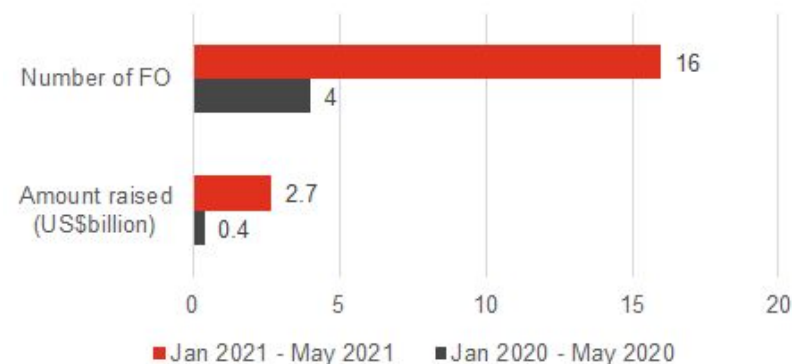
REIT and real estate developers continue to dominate FO activities in H1-2021, accounting for more than 90% of the total funds raised. REITs and real estate developers tapping on the secondary fund raising market to finance the acquisition of new properties is now a common trend.

Exhibit 5: IPO fund raise and number of IPO (1 Jan 2021 - 18 June 2021)



Source: SGX, as on 18 June 2021, excluding RTO and secondary listing.

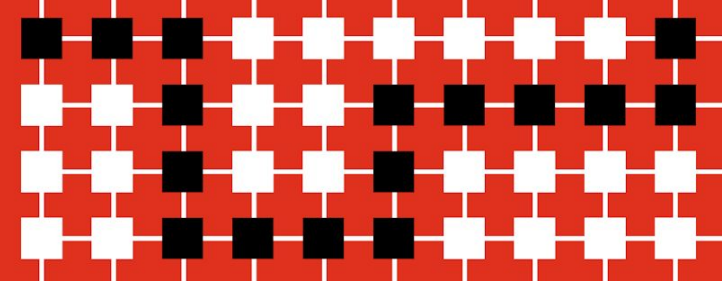
Exhibit 6: FO fund raised and number of FO (Jan 2021 - May 2021)



Source: Dealogic, May 2021

# I. Overview

## C. IPOs - Key regional bourses



IPO activities in the Asia market made a strong showing in H1-2021, with China and Hong Kong leading in terms of IPO proceeds raised and IPO volume (Exhibit 7).

The listing of Kuaishou Technology on the HKEx was the largest IPO globally, raising US\$6.2 billion. It is also the world's biggest tech listing since Uber IPO's in May 2019, and the largest public offering globally since Saudi Aramco's in December 2019<sup>3</sup>.

In March 2021, the Securities and Exchange Commission (SEC) adopted measures under the Holding Foreign Companies Accountable Act ("HFCA Act"), indicating potential delisting of foreign companies on the US stock exchanges, should they fail to comply with US Auditing Standards<sup>4</sup>. The tightening of listing rules in the US may benefit Asian bourses with more Asia tech companies choosing to list on the regional stock exchanges.

Thailand continues to lead IPO activities in Southeast Asia (SEA), with total funds raised from IPOs amounting to US\$2.7 billion. PTT Oil and Retail Business PCL was the largest IPO on the Stock Exchange of Thailand (SET) and in SEA, with total IPO proceeds of US\$1.6 billion.

**Exhibit 7: IPO fund raised by countries (Jan 2021 - May 2021)**

Country	Fund raise (US\$'billion) Jan 2021 – May 2021	Fund raise (US\$'billion) Jan 2020 – May 2020	Number of IPO Jan 2021 – May 2021	Number of IPO Jan 2020 – May 2020
China	28.09	17.64	203	98
Hong Kong	14.94	3.52	32	53
Thailand	2.70	2.30	8	2
Malaysia	0.03	0.04	2	3
Indonesia	0.15	0.17	8	11
<b>Total</b>	<b>45.91</b>	<b>23.67</b>	<b>253</b>	<b>167</b>

Source: Dealogic, May 2021

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3: CNN Business, "Kuaishou stock soars 160% in world's biggest IPO since 2019", February 5, 2021

4: CNA, "US SEC begins rollout of law aimed at delisting Chinese firms", March 25 2021

## II. Performance of newly-listed companies in Singapore

The local Straits Times Index (“STI”) has become one of the region’s top performers. The STI finished Q1-2021 with 11.3% gain. This was the STI’s strongest first quarter of a calendar year since 2012.<sup>5</sup>

### Exhibit 8: Performance of newly listed companies

Issuer	Sector	Listing date	Fund raise S\$m	Offer price S\$	First day closing price	Last close* S\$	% Change First day closing vs IPO	% Change last close vs IPO
Mainboard:								
Aztech Global Ltd	Electrical component and Equipment	12 Mar 2021	314.37	1.28	1.29	1.19	1%	-7%
<b>Sub-total</b>			<b>314.37</b>					
Catalist:								
Econ Healthcare (Asia) Limited	Healthcare	19 Apr 2021	14.00	0.280	0.290	0.335	4%	20%
OTS Holdings Ltd	Food and Beverages	17 Jun 2021	9.43	0.230	0.290	0.290	26%	26%
<b>Sub-total</b>			<b>23.43</b>					
<b>Total</b>			<b>337.80</b>					

Source: SGX

\*Last Close as on 18 June 2021

5: Business Times, “STI brings home the silver in Q1 2021”, April 5 2021



### Mainboard new listing performance

Aztech Global Ltd is the only new entrant to the SGX Mainboard during H1-2021. According to Aztech's IPO prospectus, the company is a key technology enabler with focus on providing one-stop design and manufacturing services (Exhibit 8).

Aztech was able to generate strong traction from its IPO with its public tranche oversubscribed by about 18.4 times and the placement shares oversubscribed by approximately 16.4 times<sup>6</sup>.

### Catalist board new listings performance

The performance of the two newly listed Catalist companies during the year have been relatively well compared to their IPO price. Both companies traded above their IPO price as at last close on 18 June 2021.

Econ Healthcare provides residential nursing care, home care, rehabilitation, clinical as well as traditional chinese medicine services in 10 medicare centres and nursing homes in Singapore, Malaysia and China. This includes the establishment of Chongqing Nursing Home, which is expected to commence operations in 2021.

According to Euromonitor, Econ Healthcare is the largest private nursing home operator in Singapore and Malaysia by revenue with a market share of 26.9% and 43.2% respectively<sup>7</sup>. The listing of Econ Healthcare demonstrated SGX's ability to attract healthcare companies, a traditionally strong sector for the SGX.

OTS Holdings is a food manufacturing group in the consumer industry with a strong niche in the ready-to-eat and ready-to-cook meat products<sup>8</sup>. The recent restrictions on dining-in, due to the Phase 2 Heightened Alert implemented by the Singapore government, have attracted investors' interest in companies that produce staple food products.

6: Business Times, "Aztech Global debuts on SGX Mainboard at 7% above IPO Price", March 12 2021

7: SGX Market Updates, "Econ Healthcare – Largest Private Nursing Home Operator in SG & MY – Debuts on SGX", April 19 2021

8: SGX Market Updates, "OTS Holdings - Homegrown Food Manufacturer & Brand Builder - Lists on SGX", June 17 2021





# III. SPACs - an alternative investment vehicle

Top investment trend in 2021

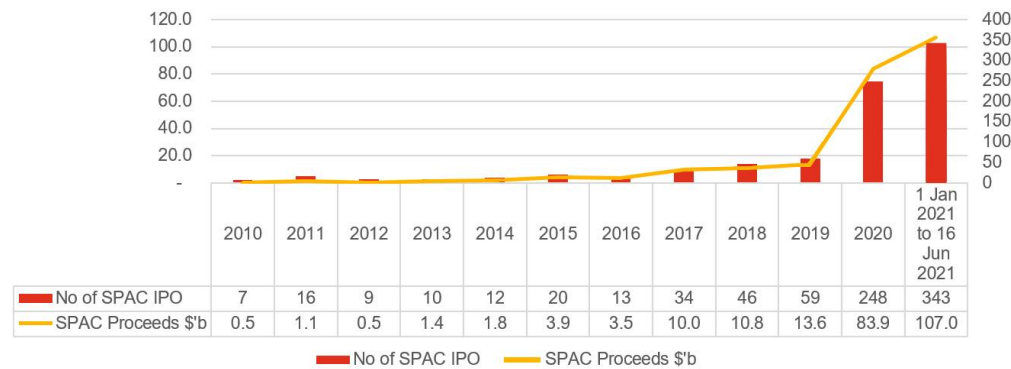


## The rise of SPACs in the US market

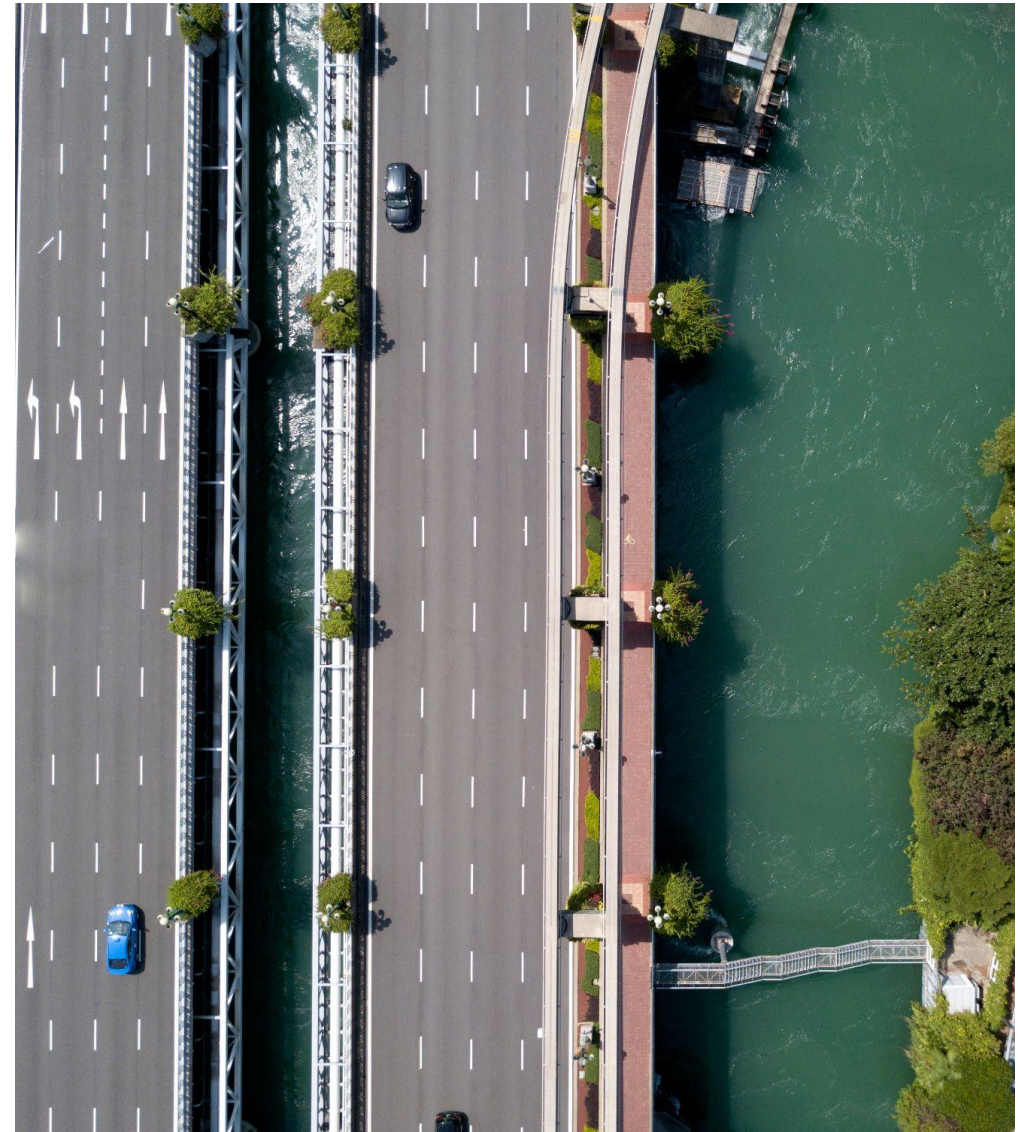
The year 2020 will always be known for the “SPAC boom” in the US capital market. As the SPAC wave continues to flow through 2021, the number of SPAC IPOs and total proceeds raised in the US in H1’2021 has already surpassed that of 2020.

As at 16 June 2021, there were more than 400 US-listed SPACs that are scouting for acquisitions. SEA will be a prime location for the US listed SPACs to hunt for potential acquisition targets given the big pool of very attractive high-growth technology companies in the region.

### Exhibit 9: SPAC IPO in the US



Source: SPAC Analytics (data through 16 June 2021)





## The SPAC boom - key drivers

While SPACs have been used for years as alternative investment vehicles, they have increased in popularity as a mechanism for private companies to access liquidity and to attain listing status through a merger with a listed SPAC (commonly referred to as a “De-SPAC”).

Below are some key factors that have been driving the “SPAC-boom”:



**Volatile IPO markets** have made it difficult to determine the right IPO “window”, while the SPAC market is generally less impacted. Some argue that **IPOs may be underpriced**, which stems from hand picked prices (vs market prices) and buyers selected by investment banks, resulting in reduced capital available to companies.



Increasing **acceptance by small- and mid-size companies**, that make-up the SPAC target company population, who are not the typical traditional IPO candidates. SPACs may **provide greater economics certainty** for these target companies, including negotiated prices and access to **liquidity resources**.



More **ability to structure flexible deal terms** has led to increased buy-side and sell-side interest by financial sponsors and experienced management teams.



Increasing **sophistication of public market investors** and the strong demand for private equity-style investments. SPAC mergers typically provide investors with **more transparency and access to management** as compared to IPOs (i.e. forward looking guidance from management).



Resurgence of a **new generation of SPACs backed by experienced management teams** and sponsors with commonly successful track records and long histories of strong performance for investors.





## SPACs on SGX

With the strong SPAC momentum building up in the US, key Asian bourses including SGX are considering rule changes to allow SPAC listing. SGX's consultation paper issued on 31 March 2021, seeking public feedback on a proposed regulatory framework for SPAC listing on its Mainboard, closed on 28 April 2021.

The proposed SGX SPAC listing framework appears to be more stringent than the US requirements. For instance, the minimum market capitalisation of S\$300 million is higher than the US requirements, such as NASDAQ's US\$75 million market capitalisation threshold. Also, the need for SPACs to appoint an independent valuer for the target company, is not required in the US context.

To position SGX as the alternative bourse to the US for SPAC listing, it is important for SGX to strike a fine balance between additional safeguards for investors and maintaining SGX's attractiveness as a capital market of choice for SPAC listing.

We believe, the introduction of SPAC as an alternative listing vehicle will spur capital markets activities in Singapore and enhance SGX's competitive advantage within this region, further reinforcing SGX's reputation as a multi-assets exchange platform.

With Singapore's position as a global financial centre in Asia, we are optimistic that SGX will be able to draw strong interests from SPAC sponsors that are keen to pursue a SEA and/or Asia focus acquisition mandate.

The rich pool of technology companies in SEA will also make SGX an attractive venue for SPAC keen on leveraging SGX as a platform for searching M&A targets.

### Key aspects of SGX's proposed framework for SPAC listing:

#### Broad admission criteria

- A minimum S\$300 million market capitalisation and at least 25% of the total number of issued shares to be held by at least 500 public shareholders at IPO.
- A minimum IPO price of S\$10 a share.
- Any warrant (or other convertible securities) issued with the ordinary shares of the SPAC at IPO must be non-detachable from the underlying ordinary shares of the SPAC for trading on SGX.

#### Conditions for founding shareholders, management team and controlling shareholders

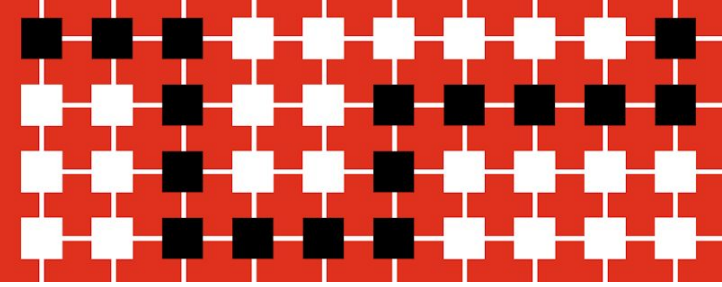
- Founding shareholders and/or the management team must hold minimum equity at IPO of between 1.5% to 3.3%, depending on the SPAC market capitalisation then.
- Moratorium on the shareholding interests held by the key parties such as the founding shareholders and controlling shareholder(s) at various junctures.

#### Business combination requirements

- Three-year permitted time frame from IPO date to complete the business combination.
- Business combination must comprise at least one principal core business with a fair market value forming at least 80% of the gross IPO proceeds in escrow.
- Resulting business combination will have meet the initial Mainboard listing criteria.
- The business combination can only proceed with approval from a simple majority of the SPAC's independent directors and a simple majority of the independent shareholders.
- Appoint: (a) an accredited Issue Manager as Financial Advisor to advise on the business combination; and (b) an independent valuer to value the target company.
- Shareholders' circular on the business combination must contain prospectus-level disclosures.

Source: Extracted and summarised from the SGX SPAC consultation paper which can be found here: <https://www.sgx.com/regulation/public-consultations/20210331-consultation-paper-proposed-listing-framework-special>

# The way forward: H2-2021



“Although the pandemic has slowed down capital market activities in Singapore, we expect IPO activities to pick up in H2-2021, especially in the technology and REIT sectors. We hope that the impending introduction of SPAC in Singapore will add variety and excitement to the local capital market scene.”

**Tham Tuck Seng**  
Capital Markets Leader  
PwC Singapore

## Key observations in H1-2021

- **Uneven capital markets recovery across different regions**  
The recovery has been uneven across different regions amid new COVID-19 variants posing a major roadblock for certain countries. However, capital markets in major economies such as the US and China have recovered strongly from the impact of the pandemic in 2020.
- **Slowdown in local capital market activities due to recent new waves of COVID-19 cases**  
Despite the slowdown of capital markets activities in Singapore, swift actions taken by Singapore to combat the recent outbreak, will lead to the gradual reopening of the economy. We are hopeful, the Singapore economy will stabilise in H2-2021<sup>9</sup>.
- **SPACs continue to be a leading investment trends in the region**

## Outlook for H2-2021

- **Strong local IPO pipeline, buoyed by technology and REIT sectors, expected to boost investment activities in H2-2021**  
On the back of recent successful technology listings, we expect the renewed momentum in SGX to continue. Despite a quiet H1-2021 for REIT listings, we believe SGX will continue to be attractive for the sector given the mature REIT regime in Singapore.
- **Finalised SGX SPAC listing framework to further spur capital market activities in Singapore**  
The introduction of the new SPAC framework will provide an alternative investment vehicle for regional investors and will enhance SGX's competitive advantage. We expect, SGX will be able to finalise the SPAC listing framework by the end of 2021.

<sup>9</sup>: Singapore's growth to stabilise in H2, full-year growth may beat official forecast: OCBC", The Business Times, Jun 7 2021

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