

# **Case Study :**

## **Listing of ABC Bhd on the Main Board of KLSE**



# **LISTING PHASES FOR ABC BHD**

- **PLANNING PHASE**
- **IMPLEMENTATION PHASE**



# FIRST PHASE : PLANNING

- **Why go public**
- **When to go public**
- **How to go public**
- **Compliance with legislation/guidelines**



# WHY GO PUBLIC - ABC

- **Access to Funds from Capital Market**
  - financing expansion plans
- **Enhances Image and Reputation**
  - customers/suppliers/creditors
- **Publicity**
  - greater awareness in general public
- **Company Policy**



# WHEN TO GO PUBLIC - ABC

- **Ready To Go public**
- **Good Track Record**
- **Good Future Profit Performance**
- **Correct Timing**



# HOW TO GO PUBLIC - ABC

- **Revaluation of landed properties and incorporation of revaluation surplus**
- **Bonus Issue (90 million shares)**
- **Rights Issue (10 million shares)**
- **Public Issue (20 million shares)**
- **Listing on Main Board of KLSE (140 million shares)**



# SC LISTING REQUIREMENTS

- **Quantitative Requirements**
- **Qualitative Requirements**
- **Special Requirements**



# QUANTITATIVE REQUIREMENTS - ABC

Criteria	Main Board Requirement	ABC Position										
Paid-up capital (PUC)	<ul style="list-style-type: none"> <li>● Min : RM60 million</li> </ul>	<ul style="list-style-type: none"> <li>● RM140 million</li> </ul>										
Share-holding Spread	<ul style="list-style-type: none"> <li>● Min public spread : 25%</li> <li>● Min public shareholders :</li> <li>● PUC RM60 – &lt;RM100 mil = 1,000</li> <li>● PUC <math>\geq</math> RM100 mil = 1,250</li> </ul>	<table> <tr> <td>Bumi</td> <td>30%</td> </tr> <tr> <td>Employees</td> <td>2%</td> </tr> <tr> <td>Public</td> <td>13%</td> </tr> <tr> <td>Foreign</td> <td><u>55%</u></td> </tr> <tr> <td></td> <td><u>100%</u></td> </tr> </table>	Bumi	30%	Employees	2%	Public	13%	Foreign	<u>55%</u>		<u>100%</u>
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# QUANTITATIVE REQUIREMENTS - ABC (Cont'd)

Criteria	Requirement	ABC Position
Profit Track Record	<ul style="list-style-type: none"> <li>● 5 years profit</li> <li>● Aggregate PAT = RM30 million</li> <li>● Min PAT (latest yr) = RM8 million</li> </ul>	<ul style="list-style-type: none"> <li>● Met</li> <li>● RM100 million</li> <li>● RM40 million.</li> </ul>
Business Operation	Operational for at least 5 years	<ul style="list-style-type: none"> <li>● 10 years</li> </ul>



# QUANTITATIVE REQUIREMENTS - ABC (Cont'd)

Criteria	Requirement	ABC Position	
Future Profits	Reasonable profits	<u>PAT (RM' million)</u>	
		FY 2000	40
		FY 2001	50
		FY 2002	60
Financial Position & Liquidity	No short-fall in working capital	<u>Net Cash Flow (RM'000)</u>	
		FY 2000	400
		FY 2001	2,000
		FY 2002	3,000



# QUANTITATIVE REQUIREMENTS - ABC (Cont'd)

<b>Criteria</b>	<b>Requirements</b>	<b>ABC Position</b>
Asset Backing	Min : Par value of share of RM1	● Par value of RM1.50
Future Dividend	Declare reasonable dividend	● Gross dividend rate of 7% in FYE 2001



# QUALITATIVE REQUIREMENTS - ABC

Criteria	Requirement	ABC Position
Business Dynamics	<ul style="list-style-type: none"><li>● Quality/continuity of management</li><li>● Diversity of sources of supply or markets</li></ul>	<ul style="list-style-type: none"><li>● Key management personnel have been with the company since inception and have extensive experiences.</li><li>● Diversity of local suppliers with long term business relationship</li></ul>



# QUALITATIVE REQUIREMENTS - ABC (Cont'd)

Criteria	Requirement	ABC Position
Competition Dynamics	<ul style="list-style-type: none"> <li>● Strong promotion</li> <li>● Competitive pricing</li> <li>● Wide product range</li> <li>● Focused target market</li> </ul>	<ul style="list-style-type: none"> <li>● Available payment on credit scheme</li> <li>● Competitive prices supported by a lowest-price guarantee.</li> <li>● Product range <math>\approx</math> 1,000 items</li> <li>● Low &amp; middle income</li> </ul>



# QUALITATIVE REQUIREMENTS - ABC (Cont'd)

Criteria	Requirement	ABC Position
Industry Dynamics	<ul style="list-style-type: none"><li>● Inelastic and unsaturated demand</li><li>● Satisfactory market size</li><li>● Stable industry</li><li>● Profitable industry</li></ul>	<ul style="list-style-type: none"><li>● Met</li></ul>



# QUALITATIVE REQUIREMENTS - ABC (Cont'd)

<b>Requirements</b>	<b>ABC Position</b>
Contribution to Economic Growth	<ul style="list-style-type: none"><li>● Sub-contract manufacturing - lead to growth of small and medium-size companies</li></ul>



# SPECIAL REQUIREMENTS - ABC

<b>Requirements (Retailer)</b>	<b>ABC Position</b>
Reputable and meet the 5 year track record requirements	<ul style="list-style-type: none"><li>● Reputable worldwide</li><li>● Met track record</li></ul>
Sizeable operations and broad base of products	<ul style="list-style-type: none"><li>● Met</li></ul>





# **SECOND PHASE: IMPLEMENTATION**

- **Selection of Flotation Team**
- **Determining Flotation Structure**
- **Pricing the Issue**
- **Approvals Required and Documentation**
- **Flotation Cost**
- **Underwriting the Issue**



# **SELECTION OF FLOTATION TEAM - ABC**

- **Merchant Bank**
- **Reporting Accountants**
- **Solicitors**
- **Issuing House**
- **Share Registrar**
- **Valuers**



# DETERMINING FLOTATION STRUCTURE - ABC

## ■ Corporate Structure

## ■ Capital Structure

– To meet minimum share capital requirement :

	RM million
Existing Issued & Paid up capital	20
To be issued pursuant to the :-	
Proposed Bonus Issue	90
Proposed Rights Issue	10
Proposed Public Issue	<u>20</u>
Enlarged issued and paid up capital	<u>140</u>



# DETERMINING FLOTATION STRUCTURE (Cont'd)

- To meet shareholding spread
- Funding needs :-
  - \* Rights and Public Issues at RM3.7 per share
  - \* Funds for :-

	<b>RM</b>
Working capital	107,300,000
Listing expenses	<u>3,700,000</u>
	<u>111,000,000</u>



# PRICING THE ISSUE - ABC

- Pricing determined by ABC and Merchant Bank
- Issue Price = Forecast/Maintainable net earnings per share (EPS) x appropriate Price Earnings Multiple (PEM)



# PRICING THE ISSUE (Cont'd)

ABC Case :

Based on Forecast After-Tax Profit

After-Tax Profit (FYE2001)	RM50million
Prospective EPS	35.7 sen
Resultant PEM	10.4 times
Issue Price	RM3.70



# DOCUMENTATION - ABC

- Applications to SC, KLSE and other relevant authorities e.g MITI, FIC, MOF
- Preparation of accounts, valuation reports, agreements (S&P, underwriting), M&A
- Prospectus to KLSE and ROC



# FLOTATION COST - ABC

- Professional Fees
- SC, KLSE, ROC, Issuing House Fees.
- Brokerage
- Underwriting Commission
- Printing/advertisement - prospectus & forms

Estimated Total Expenses for ABC : RM3.7 million





# UNDERWRITING THE ISSUE - ABC

- Portion to public (20 million ABC shares) underwritten by numerous underwriters
- Arranged by managing underwriter
- Underwriting commission (1.5%)



**THANK YOU**



# Q & A

