



Edge Weekly

Deals of 2022: Best Initial Public Offering (Main Market) - ATech's IoT play gains overwhelming interest

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ATech's share price surged almost 38% to RM1.87 as at Nov 30, from its IPO price of RM1.36 per share (Photo by ATech)



NOT many companies have made their initial public offering (IPO) on Bursa Malaysia's Main Market of late, with many big firms preferring to stay on the sidelines because of the market volatility.

And for those that did, their share price movement after the IPO has not been exciting. That, however, is not the case for Aurelius Technologies Bhd (ATech).

ATech, an electronics manufacturing service (EMS) provider for electronic products, made its debut on Dec 16, 2021. From its listing price of RM1.36 per share, the counter has risen 37.5% as at Nov 30, the cut-off for this exercise, making it the best IPO in the Main Market.

The EMS player has a 28-year track record and, in 2020, expanded into the manufacturing of semiconductor components, including integrated circuits (IC) for Internet of Things (IoT) applications.

For the financial year ended Jan 31, 2021 (FY2021), communications and IoT products contributed 89.5% to the company's revenue, with electronic devices contributing 9.4% and semiconductor components accounting for less than 1%.

The top three countries by revenue contribution for FY2019 to FY2021 were the US, Malaysia and Singapore, which collectively accounted for 93.6%, 92.7%, and 89.3% of its top line during those years.

Furthermore, on the first day of trading, ATech's share price jumped to a high of RM1.83 — 47 sen, or a 34.56% premium, over its IPO price before closing the day at RM1.70.

At its IPO price of RM1.36 per share, ATech was valued at a price-earnings ratio (PER) of 32.4 times based on 4.2 sen earnings per share for FY2021. As at Nov 30, the stock was trading at RM1.87, giving the company a market capitalisation of RM669.8 million, and a forward PER of 19.89 times based on analysts' forecast earnings for FY2022.

It is worth noting that its co-founder, group CEO and executive director Lee Chong Yeow @ Lee Chong Yan passed away just over a month after the IPO, on Jan 24. Its group chief financial officer Loh Hock Chiang was appointed the interim group CEO.

For the first half ended July 31, 2022 (1HFY2023), the group posted a net profit of RM12.09 million, or 3.37 sen per share, on the back of RM212.67 million in revenue, which is a net profit margin of 5.68%.

ATech raised RM104.73 million from the IPO. From the proceeds, RM40 million was allocated for the purchase of new machinery and equipment, RM29.52 million for the repayment of borrowings, RM28.13 million for working capital and RM7.09 million for listing expenses.

Despite the Covid-19 uncertainties last year, ATech's IPO shares were oversubscribed by 20.27 times by the Malaysian public, and received an overwhelming take-up rate from institutional investors that resulted in the book closing two days earlier than scheduled.

Maybank Investment Bank Bhd was the principal adviser, sole bookrunner and sole underwriter of the IPO. The institutional investors that participated included Affin Hwang Asset Management (now AHAM Asset Management, Abrdn, Eastspring, the Employees Provident Fund (EPF), Franklin Templeton, Hong Leong Assurance, Kenanga Investors and Manulife Asset Management.

	DETAILS	ADVISERS
Best deal	Aurelius Technology Bhd's RM104.73 million initial public offering	Maybank Investment Bank (principal adviser, sole bookrunner and sole underwriter)
Notable mention	Farm Fresh Bhd's RM1 billion initial public offering	CIMB Investment Bank (principal adviser); Maybank IB & CIMB IB (joint global coordinators, joint bookrunners, joint managing underwriters and joint underwriters); Credit Suisse (joint global coordinator and joint bookrunner); Affin Hwang Investment Bank Bhd, AmInvestment Bank Bhd, Hong Leong Investment Bank, RHB Investment Bank (joint underwriters).

Notable mention

Over the years, there have been fewer mega IPOs on Bursa Malaysia owing to market volatility.

This year saw the debut of Farm Fresh Bhd on the local bourse. It raised almost RM1 billion, making it the largest IPO since CTOS Digital Bhd in June 2021.

In total, five companies were listed on the Main Market of Bursa Malaysia, collectively raising RM1.78 billion, during the period from December 2021 to November 2022.

The listing of Farm Fresh was one of the most anticipated, reviving the sleepy IPO market at a time of rising interest rates and on the heels of Russia's invasion of Ukraine.

On its debut on March 22, the company's share price surged more than 28% to RM1.72 each, despite uncertainties amid the rising Omicron-variant infection rates and geopolitical risks that emerged in February as a result of the Russia-Ukraine conflict.

Its share price gained about 17% to RM1.58 on Nov 30 from its IPO price of RM1.35. At RM1.35, Farm Fresh had a price-earnings ratio of 34.6 times and a market value of RM2.51 billion.

As at Nov 30, Farm Fresh's market capitalisation stood at RM2.94 billion and the stock was trading at a forward 12-month PER of 38.54 times.

For its first half ended Sept 30 (1HFY2023), Farm Fresh's net profit fell 47.93% to RM26.42 million from RM50.74 million a year earlier, on the back of higher revenue growth of 19.04% to RM306.16 million from RM257.19 million previously. It attributed the decline in its bottom line to higher costs, employees' share option scheme expenses of RM4.1 million, and an unrealised derivative loss of RM1.8 million arising from currency movements.

Farm Fresh's IPO involved the issuance of 743.18 million shares, which attracted 30 cornerstone investors — domestic and foreign institutional investors and private equity funds. This was the most seen in Malaysian IPO history, according to Maybank Investment Bank Bhd, which acted as the joint global coordinator, joint bookrunner, joint managing underwriter and joint underwriter.

The institutional offering (excluding cornerstone investors' allocation) was oversubscribed by 39 times, with a record 30 cornerstone investors. Its investors included Abrdn, AIA, Persaraan, Creador, EPF, Great Eastern Life, JPMorgan Asset Management, Kumpuan Wang Bersaraan (Diperbadankan) (KWAP), Lembaga Tabung Haji, Permodalan Nasional Bhd, Templeton Asset Management and Value Partners. The retail portion was oversubscribed by 13.5 times.

Of the RM1 billion raised, almost RM465 million was earmarked for a new manufacturing hub, a new dairy farm and integrated processing facility in Malaysia; about RM200 million was allocated for the expansion of its production facility in Australia; while the remaining RM133 million was for regional expansion and RM130 million for working capital.

Farm Fresh is the country's largest dairy producer with an annual capacity of 137 million litres of finished goods from its facilities in Malaysia and another 84 million litres of processed milk from its facilities in Australia. It has a total of 10,309 cows across six farms.

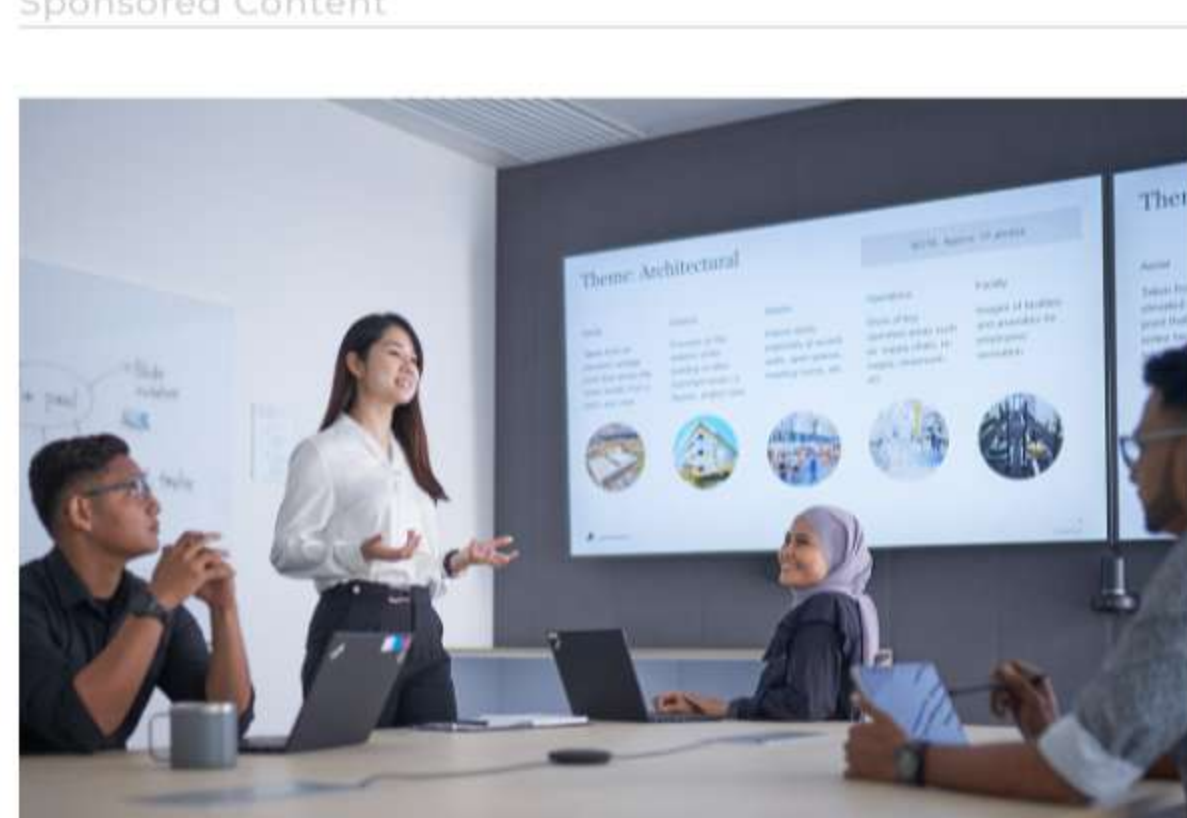
The company had roped in sovereign wealth fund Khazanah Nasional Bhd as one of its pre-IPO investors in 2011. Currently, Khazanah holds 11.8% in Farm Fresh.

For the listing exercise, CIMB Investment Bank Bhd was the sole principal adviser. Credit Suisse participated as the joint global coordinator and joint bookrunner for the listing. Affin Hwang Investment Bank Bhd, AmInvestment Bank Bhd, Hong Leong Investment Bank Bhd and RHB Investment Bank Bhd were the joint underwriters.

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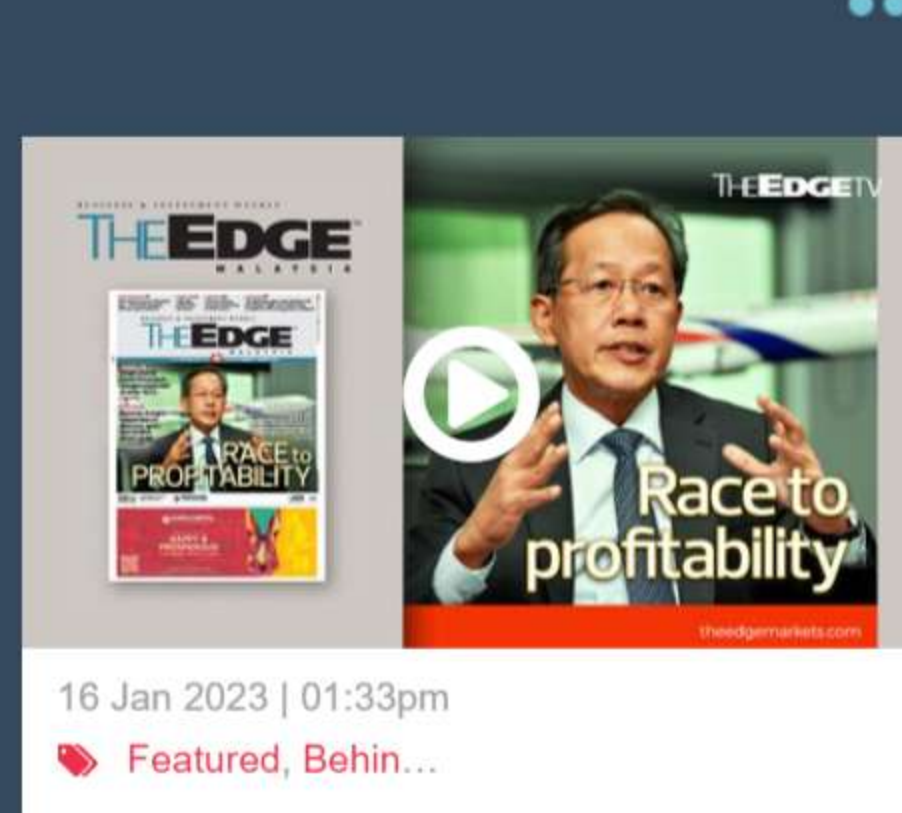
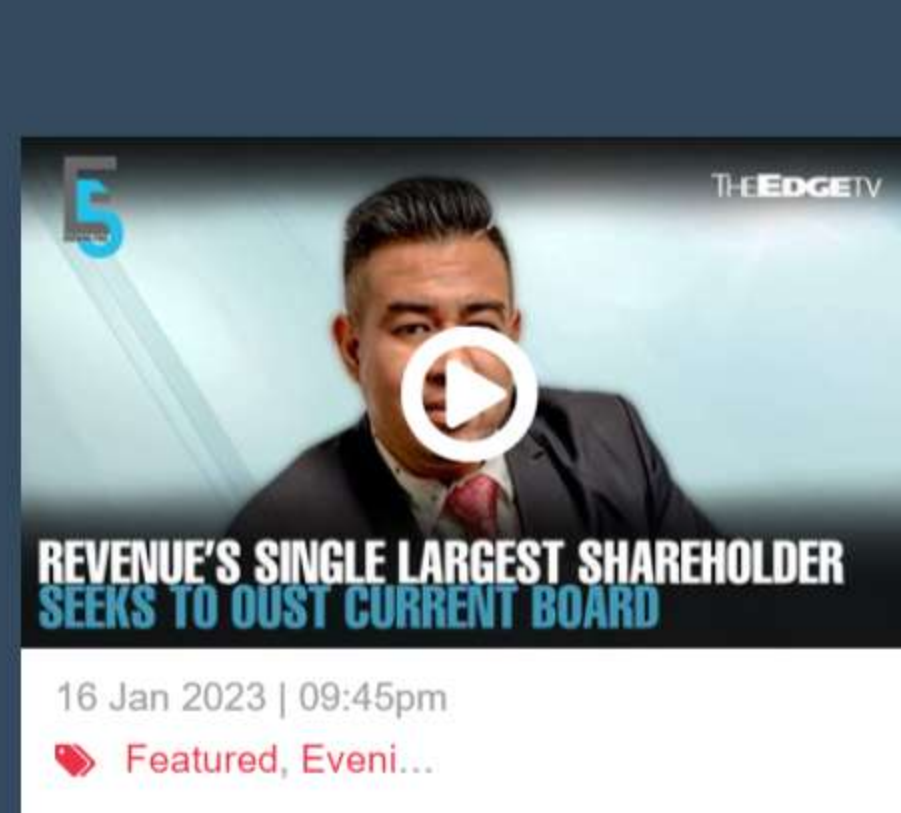
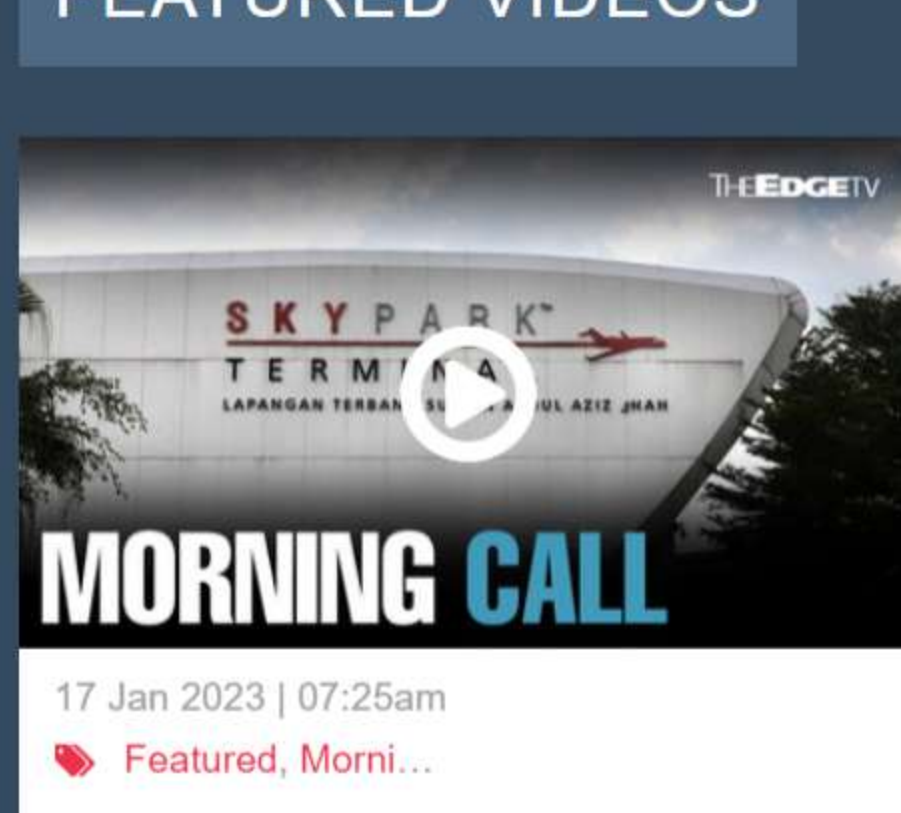
The relative lack of female representation in the semiconductor sector is a problem that is increasingly being discussed.

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