Equity Capital Markets Watch

Singapore, 2020 year in review
#StrategyandGrowth

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Overview of Initial Public Offerings and follow-on activities

- Global
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- Asia Pacific
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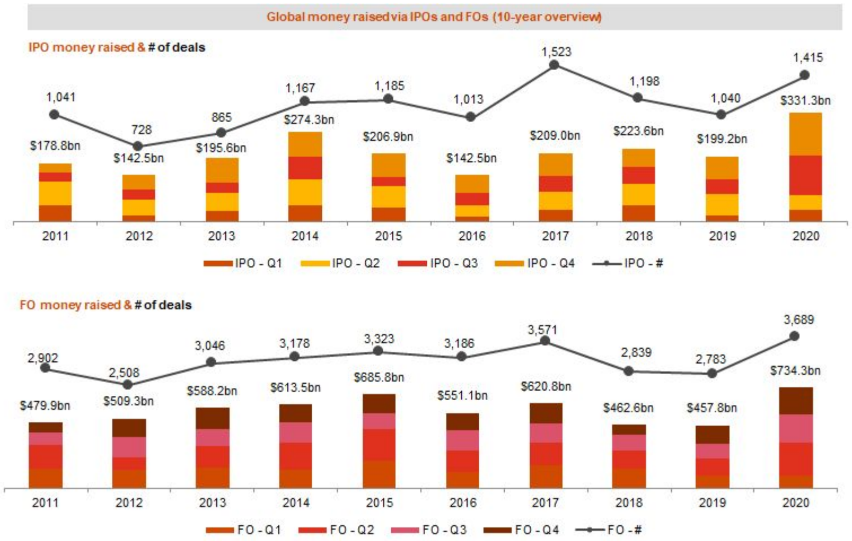
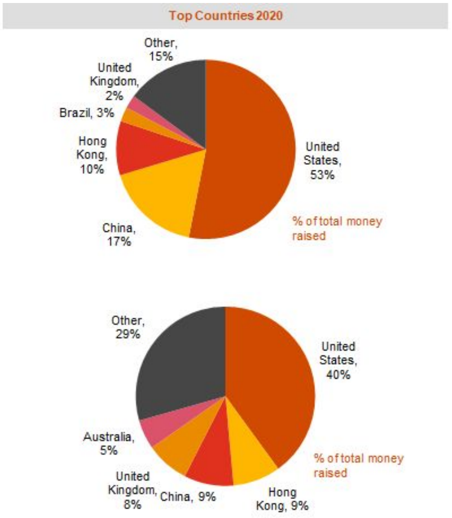
Overview of global Initial Public Offerings (IPO) and follow-on (FO) activities

- As of 31 December 2020, there were a total of 1,415 IPO globally, raising proceeds of US$331.3 billion. The proceeds raised exceeded full year 2019 level of US$199.2 billion, with a total of 1,040 IPOs. Most of the IPO activities took place in the second half of 2020, where we witnessed a total of 1,009 IPOs, raising a total of US$251 billion.
- As of 31 December 2020, FO activities globally have surpassed 2019 full year, with an aggregated proceeds of US$734.3 billion raised, compared to proceeds of US$457.8 billion for 2019.
- United States of America (US) continues to dominate both IPO and FO activities, accounting for 53% and 40% of the funds raised through IPOs and FOs respectively.





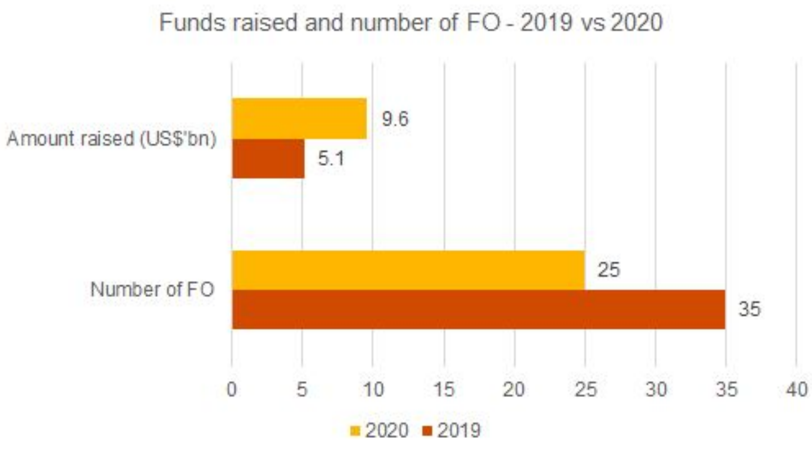
Overview of IPO – Singapore

- Despite the challenging global economic conditions, Singapore Exchange Limited (SGX) attracted 11 new listings this year (2019: 11), raising a combined proceeds of S$1.4 billion (2019: S$3.1 billion). The number of mainboard listing increased from four in 2019 to five this year.
- SGX has attracted three new non-REIT listing from different sectors on its mainboard this year, demonstrating its ability to attract growing company to list here despite the uncertain environment.
- SGX continues to position itself as an international stock exchange as it continues to attract foreign based companies to list in Singapore, with seven of the newly-listed companies having majority of their operations outside of Singapore.
- Singapore start-up, Nanofilm Technologies International Limited (Nanofilm), was the biggest SGX IPO, raising gross proceeds of approximately S$510 million[1] and the 5th largest IPO in Southeast Asia[2]. It is the largest non-REIT listing that Singapore has seen in the past 10 years based on gross proceeds raised and excluding secondary/dual listing. With a IPO market capitalisation of S$1.7 billion, Nanofilm is the first local technology unicorn to be listed on SGX.

Source: SGX website as of 31 December 2020, exclude RTO and secondary listing

1: Inclusive of the over-allotment option
2: Based on Dealogic data up to 11 December 2020

Overview of FO - Singapore



- The number of FO deals decreased from 35 in 2019 to 25 in 2020.
- However, funds raised through FO deals increased from US$5.1billion in 2019 to US$9.6 billion in 2020.
- FO funds raised in 2020 were skewed by the mega rights issuance undertook by Singapore Airlines Ltd and SembCorp Marine Ltd, with both companies raising a combined fund of US$5.2 billion this year. Excluding the impact of these two separate transactions, FO funds raised declined from US$5.1 billion in 2019 to US$4.4 billion this year.
- 14 of the 25 FO deals this year was executed by SGX listed REIT, raising a combined fund of US$3.3 billion. While in 2019, 28 out of the 35 FO deals were carried out by REIT raising an aggregated fund of US$4.6 billion. This trend is not uncommon as S-REITs often utilise the equity capital platform to raise new funds to finance acquisition of new assets. Ascendas REIT secured new equity funding of approximately US$600 million in November this year. The proceeds raised will be used to fund acquisition of new properties in the US, Europe and Australia[3].
- The liquidity of the local secondary market provides SGX listed companies easy access to capital. This is particularly helpful in times of economic downturn where companies could tap on the secondary market to raise funds to finance their operations. Growing businesses could also make use of the secondary market as an alternative funding path to finance their Mergers & Acquisitions (M&A) strategy.

Based on data extracted from Dealogic, for period from 1 Jan 2020 to 11 Dec 2020 (with similar comparative period), whereby only transactions with a minimum of US$5 million money raised have been included. Transaction proceeds include the over allotment option (if exercised). The data excludes PIPOs and transactions on Over -The -Counter exchanges. In case IPOs take place 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.
3: Information based on Ascendas REIT SGX announcement dated 10 November 2020.

Asia Pacific IPO - Quick recovery from the pandemic effect

- There were a total of 735 IPOs in 2020, raising a total gross proceeds of US$113.1 billion (2019: 660 IPOs, total proceeds: US$71.7 billion).
- After a slow start for the first half of 2020, IPO buoyancy within the Asia Pacific region resume in the second half of the year. There were 488 IPOs during H2 2020, raising a combined funds of US$82.3 billion. This is in contrast to only 247 IPOs during H1 2020 with combined funds of US$30.8 billion. Seven of the top ten largest IPOs in the region occurred during H2 2020, raising US$15.7 billion.
- China is the top country in this region with 386 IPOs raising a combined proceeds of US$56.6 billion (2019: 154 IPOs with proceeds of US$24.5 billion).
- Hong Kong came in second with 132 IPOs raising US$32.1 billion (2019: 154 IPOs with proceeds of US$25.3 billion).
- Both China and Hong Kong account for 78.4% of total proceeds raised within the region.
- The key factors driving the strong showing of IPOs in China and Hong Kong are:
  i. Quick recovery from COVID-19 in North Asia has brought back investors' confidence;
  ii. The newly launched Star Market in Shanghai and reformed ChiNext in Shenzhen boosted IPO activities in China. There were a total of 229 IPOs on Star Market and ChiNext, raising total proceeds of US$33.6 billion this year, compared to only 113 IPOs with a combined proceeds of US$14.0 billion last year; and
  iii. Hong Kong market also benefited from US listed Chinese companies, such as Alibaba, Netease and JD.com, returning to undertake secondary listings. We believe this trend is likely to continue due to increasing political pressures and changes in regulatory environment.

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Singapore companies listing in Hong Kong

- In recent years, there have been a noticeable trend of Singapore based companies launching IPO on Hong Kong Stock Exchange (HKEx). These are usually Singapore based SMEs who could be attracted by the perceived higher valuation and liquidity HKEx offers and wanting to build their presence within North Asia.
- However, we noted a sharp decline in such listings in 2020 where only five Singapore based companies completed their listing in HKEx raising a combined fund of US$71.8 million.
- In comparison, there were 13 such companies who launched their IPO in HKEx last year, with aggregated proceeds of US$195.2 million raised. The decline could be due to political instability in Hong Kong that took place in the second half of 2019 and the current COVID-19 pandemic impact that could have impacted valuation of smaller companies.

- The performance of the five newly-listed Singapore based companies:

Issuer	Sector	Funds raised US$'million	Offer price	First day closing price	Last close as of 17 December 2020	% change First day closing vs IPO	% change Last close vs IPO
Wei Yuan Holdings Ltd	Construction/Building	16.4	HKD0.48	HKD0.78	HKD0.12	63%	-75%
CTR Holdings Limited	Construction/Building	16.2	HKD0.36	HKD0.26	HKD0.45	-28%	25%
Raffles Interior Ltd	Professional Services	16.1	HKD0.50	HKD0.64	HKD0.18	28%	-64%
Singapore Food Holdings Ltd	Retail/F&B	7.0	HKD0.90	HKD2.06	HKD0.51	129%	-43%
Hygieia Group Ltd	Construction/Building	16.1	HKD0.25	HKD0.13	HKD0.08	-48%	-68%

- Four out of the five newly-listed companies are trading at steep discounts to their offer price. This is a trend that we have witnessed in most of the local SMEs that were listed in HKEx as the profile of the company may not be able to generate sustainable trading liquidity.

Based on data extracted from Dealogic, for period from 1 Jan 2020 to 11 Dec 2020 (with similar comparative period), whereby only transactions with a minimum of US$5 million money raised have been included. Transaction proceeds include the overallotment option (if exercised). The data excludes PIPOs and transactions on Over -The -Counter exchanges. In case IPOs take place 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.

IPO performance of other key Southeast Asia (SEA) bourses

Selected IPO data of the other key SEA bourses:

Country	Funds raised (US$'billion) Jan 2020 – Dec 2020	Funds raised (US$'billion) Jan 2019 – Dec 2019	Number of IPO Jan 2020 – Dec 2020	Number of IPO Jan 2019 – Dec 2019
Thailand^	4.34	3.79	11	25
Malaysia^	0.48	0.46	12	13
Indonesia^	0.26	0.93	19	30
Singapore*	1.06	2.27	11	11

- There were 11 IPO deals this year for both Singapore and Thailand stock exchanges, with the Thailand stock exchange in the lead within SEA region in terms of funds raised. Similar to 2019, Singapore retains the second spot within the region in terms of IPO funds raised.

(i) Thailand

- Thailand saw two mega IPOs raising funds above US$1 billion – Central Retail Corp PCL (CRC) raised US$2.3 billion in February this year and SCG Packing PCL (SCG) raised US$1.3 billion in October this year.
- Notably, CRC was the 4th largest IPO within Asia Pacific this year. CRC is a Thailand based retailer that has a wide network of retail stores across Thailand, while SCG is a unit of Thailand's largest industrial conglomerate, Siam Cement PCL[4]. The successful IPO could be attributed to their strong track record and profile of both companies. Similar to SGX, the Thailand stock exchange has demonstrated their ability to attract major institutional investors given the high amount of funds raised.

^: Based on data extracted from Dealogic, for period from 1 Jan 2020 to 11 Dec 2020 (with similar comparative period), whereby only transactions with a minimum of US$5 million money raised have been included. Transaction proceeds include the overallotment option (if exercised). The data excludes PIPOs and transactions on Over -The -Counter exchanges. In case IPOs take place 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.
*: Based on data from SGX for period of 1 Jan 2020 to 11 Dec 2020 (with similar comparative period). Proceeds data for both period indicated was translated at an exchange rate of US$1.33:S$1.
4: Based on Reuters release, "*Update 2- Thailand's SCG Packaging set to raise $1.5bln after top-of-range IPO pricing*", dated October 8, 2020

IPO performance of other key Southeast Asia (SEA) bourses

(ii) Malaysia

- The number of deals and funds raised on Bursa Malaysia (BM) remain relatively flat for both 2020 and 2019. Only two of the new listings on BM debut on the mainboard while the remaining 10 new listings were on BM Ace Market. BM might not have performed as well as before, which might be due to the political uncertainty and the economic downturn in Malaysia.

- The IPO of Malaysia retailer, MR DIY Group (M) Sdn Bhd (MR DIY), was the biggest this year, raising proceeds of approximately US$363 million on its IPO on BM mainboard in October 2020. This is also the largest IPO on Bursa in three years. The company shares performed strongly after its debut and closed at MYR3.09 on 17 December 2020 which was approximately 93% increase, compared to its offer price of MYR1.60. MR DIY is the largest home improvement retailer in Malaysia with an estimated market share of 29.1% in 2019 based on its revenue for the year ended 31 December 2019. MR DIY also generated strong financial track record of revenue and EBITDA growth over its latest three financial years[5]. Being a household name, the familiarity factor coupled with its impressive financials record could have contributed to the IPO success for MR DIY.

(iii) Indonesia

- IPO activities have slowed down in Indonesia. The number of deals have declined from 30 in 2019 to 19 this year. Aggregated IPO funds raised have also shrunk from US$0.93 billion in 2019 to only US$0.26 billion in 2020. The slowdown in IPO activities could be a result of the pandemic outbreak.

5: Information based on MR DIY Group (M) Sdn Bhd IPO prospectus dated 6 October 2020

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Performance of newly-listed companies in Singapore

Performance of newly-listed companies in Singapore

In Q4 2020, the Straits Times Index (STI) recovered strongly from one of the worst local equity market downturn during the first half of the year. This is largely due to optimism following the success of COVID-19 vaccine results and rising hope of global economic recovery. The conclusion of the US presidential election provided clarity over the leader of the world's largest economy.

The local STI index trended closely with global recovery trend in the last quarter of this eventful year and reached a six-month high of approximately 2,891 on 23 November 2020. The local IPO market also saw four new entrants in Q4 2020, which further signifies a positive outlook for the new year ahead.

Performance of the newly-listed companies are as follows:

Mainboard:

Issuer	Sector	Listing Date	Funds raised S$'m	Offer price S$	First day closing price	Last close* S$	% change First day closing vs IPO	% change Last close vs IPO
Elite Commercial REIT	Commercial REIT	6 Feb 2020	231.71	GBP0.680	GBP0.710	GBP0.660	5%	-3%
United Hampshire REIT	Retail REIT	12 Mar 2020	449.79	US$0.800	US$0.640	US$0.660	-20%	-18%
Nanofilm Technologies International Limited	Commodity Chemical	30 Oct 2020	510.08	S$2.59	S$2.91	S$4.40	12%	70%
Credit Bureau Asia Limited	Diversified financials	3 Dec 2020	53.94	S$0.930	S$1.07	S$1.31	15%	41%
G.H.Y Culture & Media Holding Co., Limited	Media & entertainment	18 Dec 2020	121.71	S$0.660	S$0.665	S$0.680	1%	3%
Total			**1,367.23**					

Source: SGX
Elite Commercial REIT fund raise translated from GBP to SGD @ 1.77; United Hampshire REIT fund raise translated from USD to SGD @ 1.39
*Last Close as of 31 December 2020

Performance of newly-listed companies in Singapore

Catalist board:

Issuer	Sector	Listing Date	Funds raised S$'m	Offer price S$	First day closing price	Last close* S$	% change First day closing vs IPO	% change Last close vs IPO
Resources Global Development Limited	Fossil Fuel	31 Jan 2020	3.00	S$0.200	S$0.220	S$0.220	10%	10%
Don Agro International Limited	Fishing and Farming	14 Feb 2020	5.06	S$0.220	S$0.240	S$0.355	9%	61%
Memiontec Holdings Ltd	Water Utilities	5 Mar 2020	7.53	S$0.225	S$0.250	S$0.225	11%	0%
Southern Alliance Mining Ltd	Fossil Fuel	26 Jun 2020	19.00	S$0.250	S$0.270	S$0.360	8%	44%
Singapore Paincare Holdings Limited	Healthcare Facilities & Services	30 Jul 2020	5.33	S$0.220	S$0.210	S$0.225	-5%	1%
AEDGE Group Limited	Transportation and Engineering Services	14 Dec 2020	3.20	S$0.200	S$0.210	S$0.210	5%	5%
Total			**43.12**					

Source: SGX
*Last Close as of 31 December 2020

Performance of newly-listed companies in Singapore

Based on 31 December 2020 close

Stellar performance for 2020 newly-listed companies

- Despite the uncertain market conditions, the performance of newly-listed companies was above expectations.
- Day 1 closing for nine of the newly-listed companies were above IPO price, with only two below IPO price.
- As of 31 December 2020, eight of the newly-listed companies traded above IPO price, one trading at IPO price and two trading below offer price.
- Nanofilm managed to raise approximately S$510 million[6] through its IPO, making it the largest non-REIT SGX listing in recent years. Nanofilm was also the strongest performer among the SGX new entrants this year. The company's Day 1 closing was 12% above its offer price.
- As of 31 December 2020, Nanofilm's share price has surged by 70%.
- The impressive performance of Nanofilm could be attributed to the following key factors:
  - Nanofilm is a leading provider of nanotechnology solutions in Asia.
  - Started in 1999, the company has shown a strong track record in acquiring and retaining customers. This was clearly demonstrated by its strong financial track record with a revenue growing at a CAGR of 17% from FY2017 to FY2019 and adjusted EBITDA margin of approximately 40%[7].
  - Based on Nanofilm's IPO prospectus, the group revenue increased from S$55.2 million for the six months ended 30 June 2019 to S$77.8 million for the six months ended 30 June 2020[7]. The pandemic outbreak did not seem to affect the company's financial performance
  - The IPO was backed by strong profiles of 13 cornerstone investors including subsidiaries of Temasek Holdings. The IPO attracted high level of interests from strong investors and the offering as a whole was 23.3 times subscribed by its close[8].
- Based on Nanofilm's last closing price, it is trading at approximately 62x its 2019 earnings. The success of Nanofilm's IPO and its attractive valuation could fuel the interests of local technology companies to consider listing in Singapore as opposed to the traditional technology IPO route of US and/or Hong Kong.

6: Inclusive of the exercise of the over-allotment options
7: Information based on Nanofilm's IPO prospectus
8. Extracted from *The Straits Times publication "Nanofilm shares jump on SGX trading debut after IPO heavily oversubscribed"*, dated 30 October 2020

Performance of newly-listed companies in Singapore

Performance of other newly-listed Mainboard companies

- Besides Nanofilm, Credit Bureau Asia Limited (CBA) and G.H.Y Culture & Media Holding Co., Limited (GHY) also saw their shares increased by 15% and 1% on their first trading day respectively.

- CBA is a leading player in the credit and risk information solutions market in Southeast Asia providing credit risk data to its customers. The IPO generated strong interests from retail investors and the retail offering tranche was subscribed by 60.8 times[9]. The high level of interest towards the company could be due to the resilient nature of CBA's business model. CBA's presence in developing countries (Myanmar and Cambodia) could also translate to potential organic growth for the company as the demand for credit report could increase as these economies pick up. It was also disclosed in its IPO prospectus that the company's board of directors intend to recommend dividends of at least 90% of net profit after tax attributable to shareholders for FY2021 and FY2022.

- GHY is an entertainment business that focuses on the production of dramas, films and concerts in Asia Pacific region. It produces content that are distributed through its partners on TV networks and video streaming platforms. The rising consumers demand for online video streaming in PRC, as disclosed in GHY's IPO prospectus, could be the focus for investors. Such consumer demand is even more prevalent due to the COVID-19 pandemic where most consumers will be staying at home or working from home. Similar to CBA, GHY's board of directors also intend to recommend dividend policy, albeit at a lower rate of 30%, of GHY net profit after tax attributable to shareholders for FY2020 and FY2021.

- The two newly-listed REITs did not perform as well, namely Elite Commercial REIT (Elite) and United Hamsphire REIT (UHR). Both REITs share prices as of 18 December 2020 are trading below their IPO price. As Elite and UHR assets are located in United Kingdom (UK) and US respectively, their share price performance could be depressed due to the resurgence of COVID-19 cases in both countries. However, with the success of COVID-19 vaccine results, there could be recovery in the performance of these two REITs by 2021.

9. Extracted from *The Business Times publication "Credit Bureau Asia's IPO 60.8 times subscribed"*, dated 3 December 2020

Performance of newly-listed companies in Singapore

Performance of newly-listed catalist companies

- Five out of the six newly-listed catalist companies have traded above their IPO price on their first trading day.

- In particular, performance of Don Agro International Limited has increased by 61% as of 31 December 2020 as compared to its IPO price. The company is one of the largest agricultural companies in Russia's Rostov region and primarily engaged in the cultivation of agricultural crops and production of raw milk. The resilient nature of agricultural companies and global rising demand for consumer staple goods during the pandemic outbreak could be the key reasons behind the growth in Don Agro's share price.

- We believe investors within Singapore equity capital market ecosystem prefer companies with a resilient business model and the ability to distribute stable dividend returns to investors.

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Focus industries

Focus industries: REITs and property trusts

- As of 30 November 2020, there are a total of 43 REITs and property trusts (S-REITs), with a combined market capitalisation of S$104 billion listed on the SGX. These trusts have an average dividend yield of 6.4% and produced an average 10-year annualised total returns of 8.3%[10].

- Globally, REITs indices have witnessed major sell-offs which is in line with the global equity market turmoil caused by the COVID-19 pandemic outbreak. Compared with major REITs indices, S-REITs have remained relatively resilient and this could be attributed to the diversified nature of assets classes and geographical profile of SGX listed REIT.

Major REIT Indices	YTD performance	Dividend yield
iEdge S-REIT Index	-5.0%	4.5%
ASX 200 A-REIT Index	-4.9%	3.9%
Hang Seng REIT Index	-15.0%	5.9%
MSCI US REIT Index	-10.5%	4.2%
Tokyo SE REIT Index	-18.3%	4.5%

Source: "*Chartbook: SREITS & Property Trusts December 2020, SGX Research*"

10: Extracted from "*Chartbook: SREITS & Property Trusts December 2020, SGX Research*"

Focus industries: REITs and property trusts

Key statistics of S-REITs as of 30 November 2020

Asset classification	Number of S-REITs^	Market capitalisation (S$'m) 30 Nov 2020[11]	Average dividend yield 30 Nov 2020[11]	Average dividend yield 31 Dec 2019[12]	Average price-to book ratio 30 Nov 2020[11]	Average price-to book ratio 31 Dec 2019[12]
Industrial	9	35,634	6.3%	6.3%	1.16	1.18
Retail	10	12,311	6.3%	6.6%	0.73	0.91
Diversified	7	30,700	6.3%	6.0%	0.90	1.10
Office	7	10,181	7.5%	6.2%	0.87	1.05
Hospitality	5	7,371	5.8%	6.1%	0.86	1.02
Data Centre	1	4,589	2.9%	3.4%	2.40	1.90
Healthcare	2	2,757	8.1%	6.3%	1.25	1.40
Total	**41**	**103,543**	**6.4%**	**6.2%**	**0.96**	**1.10**

^: Excluded Eagle Hospitality Trust and RHT Health Trust which are suspended from trading as of 30 November 2020

- The average dividend yield of S-REITs has a slight increase from 6.2% as of 31 December 2019 to 6.4% as of 30 November 2020. This could be due to a fall in the valuation of S-REITs with evidence from the declining price-to-book ratio of S-REITs - from 1.1 as of 31 December 2019 to 0.96 as of 30 November 2020.
- Industrial, data centre and healthcare REITs proved to be relatively resilient to the COVID-19 impact as they are still trading above book value. Dividend yield of office REITs are attractive at the moment as they could be over sold during the year. The valuation of office and retail REITs should return to normalcy in 2021 as the headwind caused by COVID-19 ease. However, recovery for hospitality REIT might take longer as it will depend largely on when travel restrictions imposed by countries around the region will be lifted.

11: Extracted from "*Chartbook: SREITS & Property Trusts December 2020, SGX Research*"
12. Extracted from "*Chartbook: SREITS & Property Trusts January 2020, SGX Research*"

Focus industries: REITs and property trusts

Further consolidation could take place within the S-REITs space

- In November 2020, CapitaLand Commercial Trust (CCT) and CapitaLand Mall Trust (CMT) completed their merger to form the largest REIT in Singapore by market capitalisation. The newly formed CapitaLand Integrated Commercial Trust (CICT) is one of the largest REITs in Asia Pacific with a total of 24 properties[13]. The merger allowed CCT and CMT to bring together its retail and office assets to create a well-balanced and diversified portfolio.

- The CCT and CMT merger was not the first REIT merger in Singapore. Previous REIT mergers include (i) ESR REIT & Viva Industrial Trust, (ii) OUE Commercial Trust & OUE Hospitality Trust, (iii) Fraser Logistics & Industrial Trust and Fraser Commercial Trust and (iv) Ascott Residence Trust & Ascott Hospitality Trust.

- Such mergers allow REITs to achieve assets diversification and economies of scale. Asset diversification could help REITs to achieve a more resilient portfolio and reduce tenant concentration risk. Achieving economies of scale could lower operating and financing costs which could potentially translate to increase in dividend yield. Trading liquidity could also be increased due to wider analyst coverage.

- We believe that there could be further consolidation that could take place in the coming year. In particular, smaller REITs that are trading below book value and have high yield accretive assets could be potential M&A target for the larger locally listed REITs.

13: Based on "*CMT Presentation – Proposed merger with CapitaLand Commercial Trust*", dated 4 September 2020

Focus industries: Technology

- Singapore has also retained its position as the world's second most digitally competitive country in the latest edition of the IMD World Digital Competitiveness Ranking. This ranking measures the capacity of 63 economies to adopt and explore digital technologies as a key driver for economic transformation in business, government and wider society[14].

- Singapore's advanced stage of technology adoption and well-developed digital infrastructure will help the country attract more technology companies to set up their base in Singapore. SGX could also benefit as these companies could utilise SGX as a fund raising platform and widen their outreach within this region.

- SGX has already proven its ability in attracting technology companies following the IPO of Nanofilm. We believe the successful listing of Nanofilm will help SGX attract the attention of many IPO aspiring technology companies.

- One growing segment within the technology sector that could fuel future growth of SGX would be the FinTech space. As the established ASEAN capital of FinTech, Singapore is estimated to be the base for over 40% of FinTech companies in Southeast Asia, with more than 750 entities. It is home to a large number of businesses across the FinTech spectrum with a particular focus on verticals, playing to its investment and banking strengths[15]. The Monetary Authority of Singapore (MAS) has on 4 December 2020 announced four successful digital banking license applicants and this could further spur growth within the local FinTech sector and increase demand for digital infrastructure to support the growth of this segment.

- FinTech start-ups in Singapore continue to secure strong funding growth with S$400 million invested in the first 6 months of 2020. This is at the back of continuous year on year growth in investment in FinTech from S$377 million in 2017, to S$520 million in 2018 and S$686 million in 2019[16]. With the local government continued support for a digital economy, we believe such fundraising trends will persist moving forward. SGX could also see new IPOs from these FinTech start-ups when these companies mature and are ready to tap on the equity capital market to raise funds for their next stage of growth.

14: Extracted from The Straits Times news release, "*Singapore is the world's second most digitally competitive country, after the US*" dated 26 September 2020.
15: Extracted from SGX publication, "*Singapore's Fast Growing FinTech Sector*" dated 17 July 2020
16: Extracted from PricewaterhouseCoopers LLP publication "*Tech start-ups funding trend and outlook: Singapore, Preparing for a bigger leap forward*?"

Focus industries: Healthcare

- SGX healthcare sector continues with its strong performance in the second half of 2020. Based on SGX market update report on 18 August 2020[17], the “iEdge SG All Healthcare Index” has generated an 81% total return for the period from 1 January 2020 to 17 August 2020. According to the report, the index is currently trading at a P/E ratio of 51.6x (up from 24.4x at the end of 2019). In comparison, the median P/E of the top quartile of global healthcare stocks is at 40.8x (up from 30.8x at end of 2019). This comparison has shown that SGX listed healthcare stocks are trading at a premium valuation compared to the median P/E of the top quartile of global healthcare stocks.

- SGX also welcomed a new healthcare listing, Singapore Paincare Holdings Limited, which was listed on 30 July 2020 on the catalist board. The company was quick with follow-on market activity and has completed a placement to an investor on 28 November 2020, raising gross proceeds of S$3.96 million[18]. In December 2020, the company also completed an acquisition of 40% stake in a local medical company that provide anaesthesia services and procedures[19]. This demonstrated the buoyancy of the local capital market as listed companies are quick with follow on activities to fund their growth.

- JD Health raised US$3.48 billion in its Hong Kong IPO making it the largest IPO in Hongkong Stock Exchange in 2020[20]. JD Health is the healthcare unit of Chinese e-commerce giant JD.com, and the company focuses on online healthcare services such as consultations with doctors and its online pharmacy. As of 18 December 2020, JD Health shares have soared approximately 110% from its IPO offer price of HKD70.58 to close at HKD147.90. The COVID-19 pandemic has made telemedical care more prevalent due to social distancing measures and this could disrupt the delivery of healthcare services moving forward.

- Within the Southeast Asia region, there is also a growing trend of digital healthcare services as advancement of technology has brought healthcare solutions to consumers’ fingertips. In Singapore itself, we have witnessed high volume of funding for start-ups within the Health and BioTech sectors. As these start-ups progress through the various series of fundings, investors and founders will often look to the equity capital market for fundraising when these start-ups have reached a steady stage of growth. SGX could be a potential fundraising platform for these companies, given Singapore reputable positioning as a global centre of excellence for healthcare services. These companies can also utilise SGX as a platform for them to grow regionally.

17: Based on SGX publication, “*iEdge SG All Healthcare Index Extends 2020 YTD Gain to 80%*”, 18 August 2020
18: Based on Singapore Paincare Holdings Limited SGX announcement dated 27 November 2020
19: Based on Singapore Paincare Holdings Limited SGX announcement dated 30 November 2020
20: Based on CNBC news release, “*JD Health raises $3.48 billion in Hong Kong’s biggest IPO in 2020*”, dated 1 December 2020

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Going forward – 2021

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2020 has been a year of ups and downs. While we are seeing signs of stabilisation, with several markets facing new waves of COVID-19, we expect that some uncertainty will remain.

In light of the pandemic, sectors such as technology and healthcare have come to the fore and have been strong areas of growth in 2020. We expect that in 2021, technology and healthcare, and SGX’s niches in REITs and business trusts, will continue to be the drivers for the SGX.

Tham Tuck Seng
Capital Markets Leader
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Going forward – 2021

- Singapore has now moved into Phase 3 of the re-opening and COVID-19 case count in Singapore has also stabilised. We believe these are potential silver linings for the local economy and signal positive outlook for the Singapore equity market.
- However we remain cautious over the overall global economic recovery, given fresh waves of COVID-19 cases continuing to drag on the path to recovery for the global economy. Therefore, equity capital market could still be volatile over the next few months. Given the local equity market trend closely with global indices, the local STI will also face similar volatility in the coming months ahead.
- There is a disconnect between global economy that was weakened by the pandemic and the buoyant equity markets which are trading on optimistic expectations. We foresee that IPO activities in 2021 will continue to be vibrant, however, volatility cannot be avoided.
- We expect that China will continue to lead IPO activities within this region and will be a key competitor to the US bourses, as China economy has stabilised and recovered earlier than the other major economies. The political and regulatory challenges faced by Chinese companies that are listed in US, could cause Chinese companies to reconsider their listing strategy and choose to list back in China.
- With the success of Nanofilm's IPO, we expect more technology companies considering listing on SGX. Business model of such companies will continue to be attractive for investors, given that digitalisation and ability to leverage on technology to upscale businesses are the focus in today's climate.
- The pandemic effect and the aging population will spur growth for the healthcare sector and we foresee new healthcare listing on SGX to be a continuing trend.
- SGX will continue to attract REITs and business trust listings due to the strong performance in these two sectors.

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