An insightful article in today's Straits Times,15th Sept 2022, highlighting the reasons for the increasing delistings from the Singapore bourse.
There's an urgent need to inject sizeable liquidity & boost investor confidence to bring back our Capital Markets to it's once glory days. Hopefully the MAS & SGX would create conditions for a vibrant market which has been languishing for quite some time.👌🇸🇬

Low liquidity, poor valuations lead to spate of SGX delistings

Experts say more buyouts and delistings are likely to follow

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Singapore Exchange (SGX) officials have raised efforts to court secondary listings and bring fresh options, such as special purpose acquisition companies, or Spacs, to market. In the first half of the year, SGX saw 10 initial public offerings, compared with eight new listings for the whole of 2021. BT FILE PHOTO

Amid recession fears and liquidity drying up as interest rates rise, the local bourse has seen a spate of offers to privatise and delist several publicly traded companies, with three taking place just this week.

The delistings come when trading volumes on the Singapore Exchange (SGX) have fallen, and experts said more are likely to follow.

In the first half of the year, total traded value in ordinary shares and trust units on SGX fell by 6 per cent to $308 billion year on year, according to the bourse.

On Wednesday, Indonesian water treatment operator Moya Holdings Asia announced an offer from its major shareholder.

This comes barely a day after an investment vehicle owned by the top executives of Singapore Medical Group launched an offer to take the company private.

Also on Tuesday, Myanmar tycoon Serge Pun sought the voluntary delisting of tourism company Memories Group as prospects for growth in Myanmar fade.

Earlier in the day, a $1.35 billion proposal by major shareholder Frasers Property to take Frasers Hospitality Trust private fell through after it missed the 75 per cent vote needed to pass the move.

Other delistings this year include those of property companies Roxy-Pacific and SingHaiyi Group, and steel specialist TTJ Holdings.

Some of the companies cited low valuations and trading liquidity on the SGX, as well as the high costs of staying listed as reasons to delist.

Mr S. Nallakaruppan, president of the Singapore Society of Remisiers, said: "Companies list either because they can get much better valuations as a publicly listed company, or because of the ease with which they can raise additional capital to advance growth prospects. If neither of these conditions is met, the listed company is better off being privatised, and that is what has been happening to the Singapore market."

Mr Justin Tang, head of Asian research at advisory firm United First Partners, said that due to disparities between the stocks' share prices and valuations, now is a good time for acquirers to take poorly traded companies off the market at reasonable levels.

The number of buyouts and delistings will continue only as long as the market fails to properly value the stocks of listed companies, said Mr Mano Sabnani, an active investor in the stock market.

"Major shareholders and other investors look at the cash flows and assets of a company and are able to tell when a company is undervalued. It is natural that some would want to privatise at low prices."

One reason for the low valuations is a lack of trust in small and medium-sized enterprises (SMEs).

Past market events such as the 2009 crash of S-chips (Chinese companies listed on the SGX) due to poor governance and the 2013 penny stock crash due to market manipulation have hurt investor confidence in this segment and pummelled share prices. This, in turn, has perpetuated low trading volumes in SMEs, Mr Sabnani said.

Mr Sabnani said SMEs should do more to engage with investors and raise awareness of their businesses and growth potential, adding that "this is now lacking".

Still, some analysts see interest returning to the market as opportunities emerge post-pandemic.

SGX officials have raised efforts to court secondary listings and bring fresh options, such as special purpose acquisition companies, or Spacs, to market. In the first half of the year, SGX saw 10 initial public offerings (IPOs). In comparison, there were eight new listings for the whole of 2021. Six of this year's IPOs were on Catalist, the SGX platform for fast-growing companies.

The bourse did not respond to queries by press time.

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