

IPOs in Cambodia

A Research on the First 5 IPOs In Cambodia

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INTRODUCTION

The term initial public offering (IPO) that we study in the class of Foundations in Financial Management (FFM) is not a new thing. It is a common term used in the developed financial markets like New York, London or Paris, to indicate when firms sell their shares to the market for the first time. Nowadays it is more associated to new dotcom or FinTech entrepreneurs in Silicon Valley, who become billionaire on their latest IPO. In the report we will come back to understand what is an IPO? What is it for? How did it work in Cambodia? How did the shares perform? All these questions and more will be developed in this report.

1. WHAT IS AN IPO?

1.1. Definitions

IPO or Initial Public Offering means the company is “going public”, the non-listed companies are going to “sell their stock or share” to the public. The public can be individuals or institutional investors. Companies fall into two broad categories: private and public.

A privately-owned company has fewer shareholders and its owners do not have to disclose much information. Most small and medium businesses are privately held. But large companies can be private too. Phnom Penh Special Economic Zone and Grand Twin International are both privately held (before IPO). It is possible to buy shares in a private company. You can approach the owners about investing, but they are not obligated to sell you anything.

The Public companies, on the other hand, have sold many of their shares of the company to the public (you and me) and are listed or traded on a local stock exchange (CSX in Cambodia). Public companies may have thousands of shareholders and are subject to strict rules and regulations. They must have a board of directors and they must report financial information every quarter. In the United States, public companies report to the Securities and Exchange Commission (SEC). In Cambodia, the SECC (Securities and Exchange Commission of Cambodia) oversees the public companies, and is the regulatory body similar to the SEC.

1.2. Why Go Public?

Going public means (for the company) to raise cash, to raise fund and usually a lot of millions of dollars. Being publicly listed or traded can be motivated by multiples reasons:

Firstly, they need to raise long term capital in order to have enough funding in order to develop and expand the company. It is generally in the form of common equities (common dividend and voting right). The proceed of this fund can also be used to finance the working capital and to invest in new capital expenditures (capex) like a new machines or equipment or a company

They may also restructure their capital structure. The capital structure is basically composed on long term debt and equity. If the gearing ratio is too high, they can reduce down their debt ratio by raising their level of equity, thus, they can reduce their financial leverage (more equity and less debt).

It is good for the reputation of the company as it is very difficult to get listed. There is a lot of restrictions. On the other hand, the firm will be exposed to greater scrutiny.

Trading in the open markets means liquidity. This makes it possible to implement Employee Stock Ownership Plan, generally they use the term “ESOP”, and this will also help to attract and keep top talents in the company. They can also allocate shares for the management as incentives.

They can improve liquidity and marketability of their shares, when getting listed. For the larger ones, they can access to international markets like Nagaworld which is listed in Hong Kong Stock Exchange (2006).

Being listed on a major stock exchange carries a considerable amount of prestige. Only large private companies with strong fundamentals could qualify for an IPO overseas, and will cope with the relative small size of the Cambodian Stock Market (lack of liquidity compared to Hong Kong or Singapore).

The IPO opens to horizon for potential Merger and Acquisitions transactions (M&A). As long as there is market demand, a public company can always issue more stock. Thus, mergers and acquisitions are easier to do because stock can be issued as part of the deal. For instance the buyer can swap their shares into the acquired/merged company shares (share swap) and take the control.

IPO can be also a potential exit for private equity and venture capital who invest in Cambodia. The exit strategy, then becomes the end of the road rather than the beginning of the investment for the legacy investors.

Nowadays, we can witness the internet boom around the world. These innovative Firms no longer needed strong financials and a solid history to go public. Most of the time, valuation is based on “DCF” Model (Discounted Cash Flow) rather than “Dividend Discount Model” (DDM). Nowadays, beside large classic IPOs, we can see multibillion dollar smaller Techs companies seeking to expand their businesses (Alibaba, Snapchat,).

1.3. The Underwriting Process of an IPO

Underwriting is the process by which investment bankers raise investment capital from investors on behalf of corporations or governments that are issuing either equity or debt securities. The word "underwriter" originally came from the practice of having each risk-taker write his name under the total amount of risk he was willing to accept at a specified premium. This old practice continues, in a way, as new issues are usually brought to market by an underwriting syndicate, in which each firm takes the responsibility, as well as the risk, of selling its specific allotment.

For the IPO, The underwriting process has many steps before the IPO happens and it can take more than a year to achieve it. To understand it, we need to follow and know how process of the underwriting is:

Firstly, they must hire an investment bank or underwriter. The biggest global underwriters are Goldman Sachs, Merrill Lynch, Credit Suisse First Boston, and Morgan Stanley, for example. The underwriters in Cambodia are smaller (for instance Yuanta, SBI Royal, etc.).

The company and the underwriter then will first meet to negotiate the “deal”, discussing details about:

- o the amount of money a company will raise (capital raising, shares issues)
- o the type of securities to be issued and all the details in the underwriting agreement
- o in a commitment, the underwriter guarantees that a certain amount will be raised by buying the entire offer and then reselling to the public.
- o in a best efforts agreement, the underwriter sells securities for the company but doesn't guarantee the amount raised.
- o Underwriters can have exclusivity in an offering (“sole underwriter”) or may form a syndicate of underwriters. Then, the main underwriter leads the syndicate and the others sell a part of the issue.

Once all sides agree to the deal, the underwriters put together a registration statement to be filed with the SECC. This **document (called initial prospectus)** contains information about the offering as well as company info such as financial statements, management background, any legal problems, where the money is to be used and insider holdings. The SECC then requires a cooling off period, in which they investigate and make sure all material information has been disclosed. Once the SECC approves the offering, a date (the effective date) is set when the stock will be offered to the public.

Then the official **prospectus** which contains all the information about the company, the offer price and the effective date, will be disclosed to the public and, the underwriter and company will attempt to hype and build up interest for the issue (media, roadshow). Then come the book-building period:

The **Book building** is the process by which the underwriter attempts to determine at what price to offer an initial public offering (IPO) and based on demand from institutional investors. The underwriter builds a book by accepting orders from investors and fund managers, indicating the number of shares they desire and the price they are willing to pay.

- o As initial prices are provided by investors, the book is created by listing the information provided during the predetermined time period before the book is considered to be closed. During this time, the underwriter focuses on getting information from potentially large-scale buyers and investors, as this gives an overview of what those most interested in purchasing the stock are willing and able to pay.
- o Once closed, the underwriter analyzes the information to determine the initial

selling price, also known as the issue price, for the particular offering.

- o The securities are sold on the stock market and the money is collected from investors.

Before and during the book building, the Underwriters go on a road show - where the financial institutions and investors are courted. The success of the IPO also depends on the quality of the road show and, most importantly current market conditions.

1.4. The Underwriters in Cambodia

In Cambodia, the underwriters are responsible of the issue of securities. They “same same and not differently”:

- Provide key advice on issues of securities (pricing, timeframe, details of transactions, and offering)
- Acquire from an issuer all or a part of securities with a view to distributing or reselling
- Acquire the unsold portion of the securities in an IPO with a view of ensuring the success of the issuance
- Make arrangement for a IPO on behalf of issuer or participate directly or indirectly in an IPO
- The underwriter may also operate as securities dealers, securities brokerage, and investment advisory

The SECC decided to grant licenses to 7 firms in operating as underwriters, such as Tong Yang Securities (Cambodia) Plc, OSK Indochina Securities Ltd, CANA Securities Limited, CAMPU Bank Securities, Cambodia-Vietnam Securities Plc, SBI Phnom Penh Securities Ltd, and Phnom Penh Securities Firms Plc.

- Tong Yang Securities (Now called Yuanta Securities) is an affiliate of South Korea's Tong Yang Securities, a Korea-based financial service provider specialized in the securities sector. The Company is engaged in the securities dealing and brokerage businesses, covering stocks, futures, options, government bonds, corporate bonds, foreign exchanges and other financial derivative products. It is also engaged in issuance, dealing and brokerage of bill and bond business, investment banking business and investment consulting business
- RHB OSK Indochina Securities Ltd is a regional financial services Group listed in Malaysia Securities Berhad since 1991. OSK commenced operations in 1963 and is now a regional investment banking group with more than 3,700 professionals across 93 offices across the ASEAN plus the Hong Kong region. On 28 May 2012, RHB OSK Holdings Berhad announced the merger of OSK Investment Bank with RHB Investment Bank. The merger will create the largest investment bank in Malaysia and also one of the largest investment banks in the ASEAN region.
- CANA Securities Limited, is a wholly own subsidiary of Canadia Bank Plc, which was established in 1991. The main activities were based on gold transactions, gold plaque manufacturing and lending to local merchants. In 1993, it was changed into a Commercial Bank CANADIA BANK. Today, it is one the largest local bank with 40 branches throughout the country.
- CAMPUBANK Securities: a wholly owned subsidiary of Campu Bank, incorporated in Cambodia in February 2010. Campu Bank is a wholly-owned subsidiary of Public

Bank Group which is one of the largest and strongest domestic banking groups in Malaysia, has operated since 1992.

- Cambodia-Vietnam Securities (CVS) has become first Vietnamese JV securities firm. CVS was established by founding shareholders such as Bank for Investment and Development of Cambodia (BIDC), Cambodia Development and Investment Joint Stock Co (IDCC), Bank for Investment and Development of Vietnam (BIDV), Cambodia-Vietnam Insurance Joint Stock Co (CVI) and BIDV Securities Co (BSC).
- SBI Phnom Penh Securities (SBIPP) established in February 2010. SBI is the investment arm of one of the largest first Japanese financial institutions called Softbank. SBIPP merged with the Royal Group's securities unit in 2011 to form SBI Royal Securities Plc (SBIR). Current shareholders are: Softbank Group, listed in Hong Kong and Tokyo, specialized in 3 core business divisions (Asset Management Business, Brokerage & Investment Banking Business, and Financial Services Business) and Royal Group (Cambodia's largest conglomerate group established in 1990, operates wide ranging businesses primarily in Cambodia,
- Phnom Penh Securities PLC (PPS) offers varieties of financial services ranging from Underwriting, Brokering, Dealing, Investment Advisory, Investment Trust, and Securities Transfer. The company contributed to the successful IPOs. PPS and CVS are more retail oriented whereas the other underwriters are more institutional oriented.

Securities dealers may trade securities for its own account and risk. Can also operate as securities brokerage and investment advisory. Golden Fortune is currently SECC licenses. Sacombank Securities give back their license for strategic refocus on Vietnam business. Two firms received licenses as dealers are Sacombank Securities (Cambodia) Plc and Golden Fortune (Cambodia) Securities Plc.

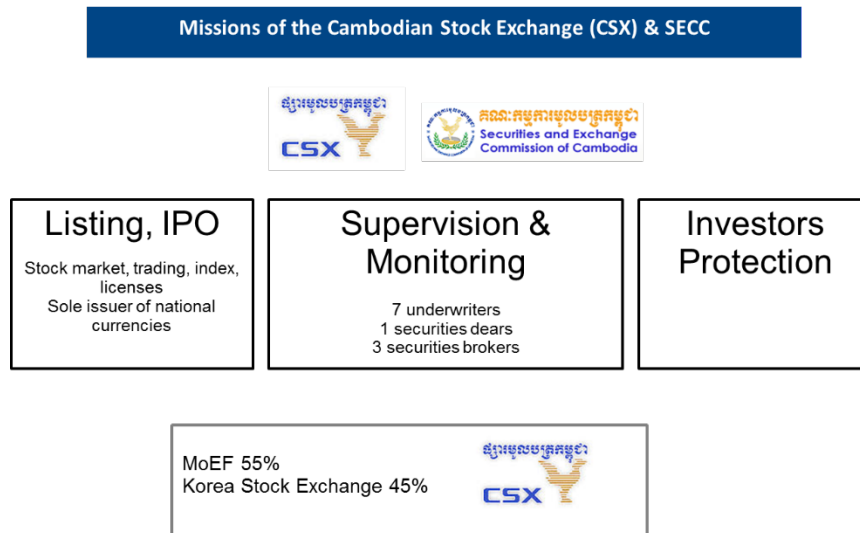
Securities brokers may buy and sell securities on behalf of and by orders of its clients for a commission fee. A securities broker can also operate an investment advisory business. The 3 firms obtained licenses as brokers, including ACLEDA Securities Plc (100% by ACLEDA Bank Plc), SONATRA Securities Plc, and CAB Securities Ltd. Cambodia Capital Securities (was acquired by SBI in 2011, now SBI Royal)

1.5. CSX & SECC

With the basic purpose of achieving high economic growth by facilitating flows of capital, investment and reallocation of capital based on capital market mechanisms, in November 2006, The Ministry of Economy and Finance of the Kingdom of Cambodia and Korea Exchange signed a Memorandum of understanding on "the Development of the Securities Market in Cambodia". Based on this MOU, the Prime Minister hosted an international conference in November 2007 and proclaimed to launch of the Cambodia Securities Market project.

In 2008, another Memorandum of understanding on the "Establishment of a Cambodia Securities Exchange in the Kingdom of Cambodia" was signed by the Ministry of Economy and Finance of the Kingdom of Cambodia and Korea Exchange. In March 2009, the Royal Government of Cambodia represented by the Ministry of Economy and Finance (MEF) and

Korea Exchange (KRX) has signed a “Joint-Venture Agreement” to establish a stock Market (“The Cambodia Securities Exchange Co., Ltd”), as a public enterprise in accordance with the Law on the General Statutes of Public Enterprises. The Cambodia Securities Exchange was then incorporated in February 23rd, 2010. In accordance with the Joint-Venture Agreement, the Cambodia Securities Exchange (CSX) has been capitalized by both parties in which MEF owns 55% of the registered capital and KRX the remaining 45%.



In accordance with the Law on Issuance and Trading of Non-Government Securities, the CSX had been granted approval to function as market operator, clearing and settlement facility operator and depository operator.

Everyone can invest their money in stock market, as simple as that first they have to have an account at the CSX. If not, they need to sign up for an account and they must have a bank account in any banks too. At that moment applicant are standing in need to get an investor ID, which normally cost US\$5, with the Investor ID, clients will be able to buy and sell stock at any time they want. Before investing in stock market.

2. IPOS IN CAMBODIA

2.1. Phnom Penh Water Supply Authority

IPO information	Book Building Timetable
<ul style="list-style-type: none"> - Company Name : Phnom Penh Water Supply Authority - Code: PPWSA - Type of Shares : Common Shares - IPO Shares : 13,045,975 - Underwriter : Tong Yang Securities (Cambodia) 	<ul style="list-style-type: none"> - Book-Building Period : February 29, 2012 – March 13, 2012 - Price Range in Book-Building : KHR4,050-KHR6,350 - Subscription Period : March 29 – April 04, 2012 - Offering Price : KHR6,300 - Listing Date: 18 April 2012

This company was the first ever IPO in Cambodia and get listed in 18 April 2012. PPWSA issued common shares of 13,045,975. The Symbol used for the stock market is PPWSA.

Phnom Penh Water Supply Authority (PPWSA) was established in 1895 in the form of a Public Enterprise. It is a sole supplier of water in Phnom Penh City that is committed to the sustainable development of its treated water supply services, as well as providing consultancy and facilitator services in order to ensure that other cities and provinces in Cambodia have access to treated water. PPWSA have 851 employees in 2017.

The IPO of PPWSA was to raise fund in between US\$ 13m -20.4m in order to extend the water production facilities to the existing three water treatment plants. The uses of fund raised from IPO issuance was expected as followings for:

- The repayment of LOAN to World Bank (8.5%) and/or JICA (7.35%)
- The CAPEX: in Pipe Expansion (15%), in Construction of Water Towers and Water Treatment Plant (82%) and in Consultation services (3%)
- Refinancing the needs in their working capital
- Funding for the extensions of water transmission and distribution system, and also for the construction of a Solar Electricity Generation Plant.

Pre- IPO Information			
Par Value	Ordinary shares	Offering price	KHR 4,050 -6,350 (USD 1- 1.56)
No. of listed shares	86,973,162	Par Value	KHM 1,000 (USD 0.25)
No. of issued shares	13,045,975	Offering Amount	KHR 52.8 - 82.8bn (USD 13.0-20.4m)
IPO Price	KHM 6,300 (USD 1.55)	Number of offering shares	13,045,975 ordinary shares (Offering ratio: 15%)

Pre- IPO and Post-IPO Shareholding					
Shareholders	Before IPO	% of shares	After IPO	% of shares	Lock-up period (from listing date)
	# of shares		# of shares		
MEF	73,927,187	100%	73,927,187	85%	1 year *
ESOP	-	-	1,304,598	1.50%	3 years
Public Investors	-	-	11,741,377	13.50%	Free float
Total	73,927,187	100%	86,973,162	100%	Total

The company expected to raise 13-20.4 m\$, and did raise 20.2 m\$ (=13,045,975 x \$1.55), close to the higher range. The free float is 15%. The total market capitalisation of the company at the IPO was 134.8 (=86,973,162 x 1.55).

2.2. Grand Twins International

IPO information	Book Building Timetable
<ul style="list-style-type: none"> - Company : Grand Twins International (Cambodia) Plc - Code: GTI - Type of Securities : Common Share - IPO Share : 8,000,000 - Underwriter : Phnom Penh Securities Plc 	<ul style="list-style-type: none"> - Book-Building Period : March 17-28, 2014 - Price Range in Book-Building : KHR 7,400 - KHR 14,000 - Subscription Period : May 2-28, 2014 - Offering Price : KHR 9,640 - Listing Date: 16th June 2014

Grand Twins International (“GTI”) was incorporated under the laws of Cambodia on 15 November 2007 in the name of “Grand Twins International (Cambodia) Ltd”. On 19 February 2013, it was converted from a private limited company into a public limited company and changed its name to “Grand Twins International (Cambodia) Plc”. The sole business activity of GTI is the manufacturing of clothing.

By the end of 2016, GTI generates a revenue of US\$ 82 Mn, comprising 99.61% in product sales (mainly sport wears, water-resistance clothing, jackets, and special purpose apparels), 0.07% in sub-contracting, and 0.32% in packaging. Its business is quite cyclical and risky, as it relies mainly on the demand of only two companies: Adidas (94%) and Amer Sports (6%).

The IPO Expenses and uses of funds were budgeted at \$24,000,000, detailed as shown below:

	Duration (Months)	Amount (Million US\$)	Percentage (%)
Retire Land Mortgage	3	1.7	7.08
CAPEX	24	6.5	27.08
Working Capital	12	13.8	57.5
IPO Issuance Expenses	3	2	8.34
Total		24	100

⇒ Detail of the expenses is as the following:

Working Capital	During the processing cycle of 6 months between the time customers place an order and the date of the payment, GTI faced large outflow of money. (New orders from Japan and some new customers). Funds of US\$ 6.9 Mn will be injected into working capital for the second half of 2014 and the other US\$ 6.9 Mn will be used for the first quarter of 2015.
CAPEX	GTI planned to use the proceeds to invest in expanding facilities, purchase software and new machinery, R&D, and developing new design and new materials. For the year 2013, GTI invested US\$ 2.8 Mn (US\$ 1,400 per machine) on 2,000 sewing machines and US\$ 1.2 Mn on CAD (Computer Aided Design) and CAM (computer Aided Manufacturing) machines. As for 2014, US\$ 2.5 Mn will be used to invest in equipment.

Pre- IPO Information			
Par Value	Ordinary shares	Offering price	KHR 7,400 -14,000 (USD 1.85- 3.50)
No. of listed shares	40,000,000	Par Value	KHM 1,000 (USD 0.25)
No. of issued shares	8,000,000	Offering Amount	KHR 52.2 - 112bn (USD 13-28m)
IPO Price	KHM 9,640 (USD 2.41)	Number of offering shares	8 millions new ordinary shares (Offering ratio: 20%)

Pre- IPO and Post-IPO Shareholding					
Shareholders	Before IPO	% of shares	After IPO	% of shares	Lock-up period
	# of shares		# of shares		(from listing date)
Grand Twins International	16,400,000	51.3%	16,400,000	41.0%	1 year *
Hope Ridge (Samoa)	3,840,000	12.0%	3,840,000	9.6%	
Individual Shareholders	11,760,000	36.8%	11,760,000	29.4%	6 months
Potential Investors			3,200,000	8.0%	Free Float
Public			4,800,000	12.0%	
Total	32,000,000	100%	40,000,000	100%	Total

The company expected to raise US\$ 13-28 Mn, and did raise US\$ 19.28 Mn (=8,000,000 x \$2.41), close to the middle range, and a bit under the budget of US\$ 24 Mn. The free float is 49.40%. The total market capitalisation of the company at the IPO was US\$ 96 Mn (=40,000,000 x \$2.41).

2.3. Phnom Penh Autonomous Port

IPO information	Book Building Timetable
<ul style="list-style-type: none"> - Company : Phnom Penh Autonomous Port - Code: PPAP - Type of Securities : Common Shares Class A, Voting Shares - IPO Share : 4,136,873 - Underwriter: Yuanta Securities (Cambodia) Plc. 	<ul style="list-style-type: none"> - IPO Share : 4,136,873 - Book-Building Period: October 19-22, 2015 - Price Range in Book-Building : KHR 4,405 – KHR 6,320 - Subscription Period : November 12-17, 2015 - Offering Price: KHR 5,120 - Listing Date: 9 December 2015

Phnom Penh Autonomous Port the third IPO in Cambodia. PPAP is an international port, established in 1998. The port's zone is located along the Mekong River which is used to distribute goods and products to other provinces. It is under the supervision of the Ministry of Public Works and Transport and the Ministry of Finance and Economic. PPAP has the exclusive right as the port operator within the Port Commercial Zone in accordance with the Notification Letter No. 600 from Office of Council of Ministers dated 23rd April, 2015. Its main business is port operator and port authority. PPAP maintains navigation channels, installs aids to navigation, provides pilotage, tug assistance, mooring/unmooring service, arranges berthing, and protects environment within its commercial zone.

PPAP operates 4 terminals as following: Container Terminal (LM17), Multi-purpose Terminal (TS3), Passenger Terminal (TS1), Tonle Bet Terminal (UM2) It business areas extend from

Phnom Penh to Neak Leung at the Lower Mekong River (56km), Tonle Bet at the Upper Mekong River (105km), and The Tonle Sap River (7km).

Through the IPO, PPAP expected to raise capital from the 4,136,873 shares issue in order to fund for the CAPEX plan for phase II of LM17 and to enhance the quality and quantity of other handling facilities. In addition, in phase II, PPAP also planned to have installation of 4 conveyers in each terminal and maintain the water depth of 6 meters. By doing so, PPAP could enhance and increase the capacities to handle containers to meet the demand in the market.

Summary use of raised capital:

- *Improve the cargo handling capacity of LM17 to 300,000 TEUs (Phase II)*
- *Equip LM17, TS3, UM2, and Mekong Sentosa Logistics (MSL) with general cargo handling equipment*
- *Improve the cargo handling capacity of LM17 to 500,000 TEUs (Phase III)*
- *Develop a Specialized Bulk Terminal Modernize the Tourist and Passenger Terminal*
- *Develop a Multipurpose Terminal in Thbong Khmom province*
- *Develop a logistics center within the Port's supporting facilities*
- *Improve the Navigation Channel*

The shares before the IPO are divided into 3 main categories: .existing Class B common shares (MEF) and preferred shares Class C (MEF). Class A shares are the ones issued for the IPO

	Class A (Voting) Shares	Class B (Voting) Shares	Class C (Non- voting) Shares
Authorized stock	12,000,000	50,000,000	100,000,000
Shares outstanding	0	16,547,492	93,769,120

- *16,547,492 Class B (Voting) shares with a par value of KHR 4,000 (US\$1.00) per share and a total value of KHR 66,189,968,000 (US\$ 16,547,492)*
- *93,769,120 Class C (Non-voting) shares with a par value of KHR 4,000 (US\$1.00) per share and a total value of KHR 375,076,480,000 (US\$93,679,120)*
- *Both Class B and Class C were owned by the Cambodian Government.*

Pre- IPO Information			
Par Value	Ordinary shares Class A	Offering price	KHR 4,405 -6,320 (USD 1.08- 1.55)
No. of listed common shares	20,684,365	Par Value	KHM 4,000 (USD 1)
No. of issued shares	4,136,873	Offering Amount	KHR 18.22 - 26.4bn (USD 4.34-6.41m)
IPO Price	KHM 5120 (USD 1.28)	Number of offering shares	4,136,873 ordinary shares A (Offering ratio: 20%)

Pre- IPO and Post-IPO Shareholding					
Shareholders	Before IPO	% of shares	After IPO	% of shares	Lock-up period
	# of shares		# of shares		(from listing date)
MEF	16,547,492	100.00%	16,547,492	80.0%	1 year *
ESOP	-	-	413,687	2.0%	Free Float
Public	-	-	3,723,186	18.0%	
Total	16,547,492	100%	20,684,365	100%	Total

- Class A (Voting) shares: guaranteed dividend yield of 5% based on the IPO price for the period of at least 5 years after being listed.
- Class B (Voting) and Class C (Non-Voting) shares are not entitled to receive the guaranteed dividend.
- At least 20% of total offered shares need to be allotted to the Cambodian Investors in subscription, the other 80% need to be allocated to either Cambodian or non-Cambodian investors.
- After the IPO, MEF ownership will be diluted to 80%. The new 4,136,873 shares will constitute 20% of the PPAP's ownership divided between 18% of Private Investors (3,723,186 shares) and 2% of ESOP (413,687)

The company expected to raise US\$ 4.34-6.41 Mn, and did raise US\$ 5.3 Mn (=4,136,873 x \$1.28), close to the higher middle range, and above the budget of US\$ 4.28 Mn. The free float is 20%. The total market capitalisation of the company at the IPO was US\$ 26.47 Mn (=20,684,365 x \$1.28).

2.4. Phnom Penh SEZ Plc.

IPO information	Book Building Timetable
<ul style="list-style-type: none"> - Company: Phnom Penh SEZ Plc. - Code: PPSP - Type of Securities : Voting Shares - IPO Share : 11,575,000 - Book-Building Period: April 18-25, 2016 - Underwriter : SBI Royal Securities Plc., Campu Securities Plc., Cana Securities Ltd. 	<ul style="list-style-type: none"> - IPO Share : 11,575,000 - Book-Building Period : April 18-25, 2016 - Price Range in Book-Building : KHR2,800 – KHR4,000 - Subscription Period : May 09-12, 2016 - Offering Price : KHR2,860 - Listing Date: 30 May 2016

Phnom Penh Special Economic Zone (PPSEZ) is the fourth IPO in the country. PPSEZ was founded by Madam Lok Chumteav Oknha Lim Chhiv Ho (“Madam Lim”) when she registered and incorporated as a private limited company in 2006. In 2015, it was converted into a public limited company. PPSEZ is principally involved in operating and managing an industrial park and developing the infrastructure therein with the main purpose of providing industrial land for development. In addition, as an operator of industrial park, the Company is also involved in providing other relevant services and facilities such as supply and distribution of treated water, rental service, infrastructure maintenance, advisory service and administration support, waste water treatment and other services.

The Purpose of the offering is:

- To enhance the profile, visibility and credibility of The PPSEZ Group, which would bode well for PPSEZ and other SEZs that PPSEZ GROUP, would develop and manage;
- To raise funds for the expansion of the business operations of the PPSEZ Group which includes development of PPSEZ and the acquisition of additional land; and
- To enable the public to participate in the future growth of the PPSEZ Group.

Budget: Details of the proposed utilization of IPO proceeds US\$ 8.1 Mn	Period From Listing Date	Amount of Proceeds	
		KHR billion	US\$ million
<i>Capex (Additional land acquisition in the surroundings of PPSEZ and finance the related cost of land development for PPSEZ and Poipet)</i>	<i>Within 12 months</i>	<i>14.01</i>	<i>3.5</i>
<i>Repayment of bank borrowings (Partial repayment to current loan facilities to reduce gearing and interest burden)</i>	<i>Within 3 months</i>	<i>8</i>	<i>2</i>
<i>Working capital (Finance the day to day operation cost)</i>	<i>Within 12 months</i>	<i>5.2</i>	<i>1.3</i>
<i>Defraying listing fees and listing expenses (underwriter, professionals, advisers and other related expenses)</i>	<i>Within 3 months</i>	<i>5.2</i>	<i>1.3</i>
Total		32.41	8.1

If PPSEZ raised more than expected, the additional funding will be used as follows:

- Acquisition of additional land bank around PPSEZ and Poipet
- Diversification in types of zone investors;
- Establishing strong market presence in Cambodia and expanding to other Countries in the Mekong region; and Expansion of other relevant services.

Pre- IPO Information			
Type of shares	Ordinary shares	Offering price	KHR 3,800 -4,000 (USD 0.7- 1.0)
No. of listed shares	57,875,000	Par Value	KHR 2,000 (USD 0.5)
No. of issued shares	11,575,000	Offering Amount	KHR 32.4 - 46.3bn (USD 8.1-11.6m)
IPO Price	KHM 2,860 (USD 0.71)	Number of offering shares	11,575,000 shares (Offering ratio: 20%)

Pre- IPO and Post-IPO Shareholding					
Shareholders	Before IPO	% of shares	After IPO	% of shares	Lock-up period
	# of shares		# of shares		(from listing date)
LCH	32,410,000	70.0%	32,410,000	56%	1 year *
Zephyr (Japan)	10,186,000	22.0%	10,186,000	18%	6 months Free Float
Individual Shareholders	3,704,000	8.0%	3,704,000	6%	
ESOP			1,157,500	2%	
Public			10,417,500	18%	
Total	46,300,000	100%	57,875,000	100%	Total

The company expected to raise US\$ 8.10-11.57 Mn, and did raise US\$ 8.2Mn (=11,575,000 x \$0.71), close to the lower range, and above the budget of US\$ 8.1 Mn. The free float is 20%. The total market capitalisation of the company at the IPO was US\$ 41.1Mn (=57,875,000 x \$0.71).

2.5. Sihanoukville Autonomous Port

IPO information	Book Building Timetable
<ul style="list-style-type: none"> - Company: Sihanoukville Autonomous Port - Code: PAS - Type of Securities : Voting Shares - IPO Share : 21,442,992 - Sole Underwriter: SBI Royal Securities Plc. 	<ul style="list-style-type: none"> - Book-Building Period : April 25 - May 02, 2017 - Price Range in Book-Building : KHR3,520 – KHR5,180 - Subscription Period : May 17-22, 2017 - Offering Price : KHR5,040 - Listing Date: 8 June 2017

Sihanoukville Autonomous Port is the fifth IPO in Cambodia. It is currently the largest international sea port operator in the country and also the only deep-sea port on a 124.76 ha operational area in Sihanoukville. The Company was established in 1998 as an autonomous state owned public enterprise with two main business functions: port authority and port operator.

The total container throughput increased from 286.4 thousand TEUs in 2013 to 391.8 thousand TEUs in 2015, at a CAGR of 16.95%. The management strongly believes that PAS will keep performing well in the future. With the investment of US\$ 22.19 Mn at the end of 2016, the handling capacity and the productivities of PAS in 2017 have been enhanced. Therefore, in 2017, the Company expects to generate US\$ 55.42 Mn in total revenue which is an 8% growth from 2016 with a projected net profit reaching US\$ 13.78 Mn while the Cambodian economic condition is favorable.

The main use of IPO Proceeds, with an estimated US\$ 26.6 Mn Budget, is :

- To Enhance the Current Business Performance
- To support the handling operation at the 400 m Container terminal.
- To expand the container yard in the future
- To reduce traffic congestion at the container yard
- To support the LOLO Service at container terminal
- To reduce traffic congestion for general cargo
- To reduce waiting time and congestion at the entrance gate
- To increase total handling capacity of PAS
- To facilitate the smooth travelling of RTG in order to support the container yard operation.

Pre- IPO Information			
Par Value	Ordinary shares	Offering price	KHR 3,520 -5,180 (USD 0.88- 1.29)
No. of listed common shares	85,771,967	Par Value	KHM 1,000 (USD 0.25)
No. of issued shares	21,442,992	Offering Amount	KHR 75.5 - 111bn (USD 18.8-27.7m)
IPO Price	KHM 5,040 (USD 1.26)	Number of offering shares	21,442,992 ordinary shares A (Offering ratio: 25%)

Pre- IPO and Post-IPO Shareholding					
Shareholders	Before IPO	% of shares	After IPO	% of shares	Lock-up period
	# of shares		# of shares		(from listing date)
MEF	64,328,975	100.00%	64,328,975	75.0%	1 year *
ESOP	-	-	2,144,299	2.5%	
Public	-	-	19,298,693	22.5%	Free Float
Total	64,328,975	100%	85,771,967	100%	Total

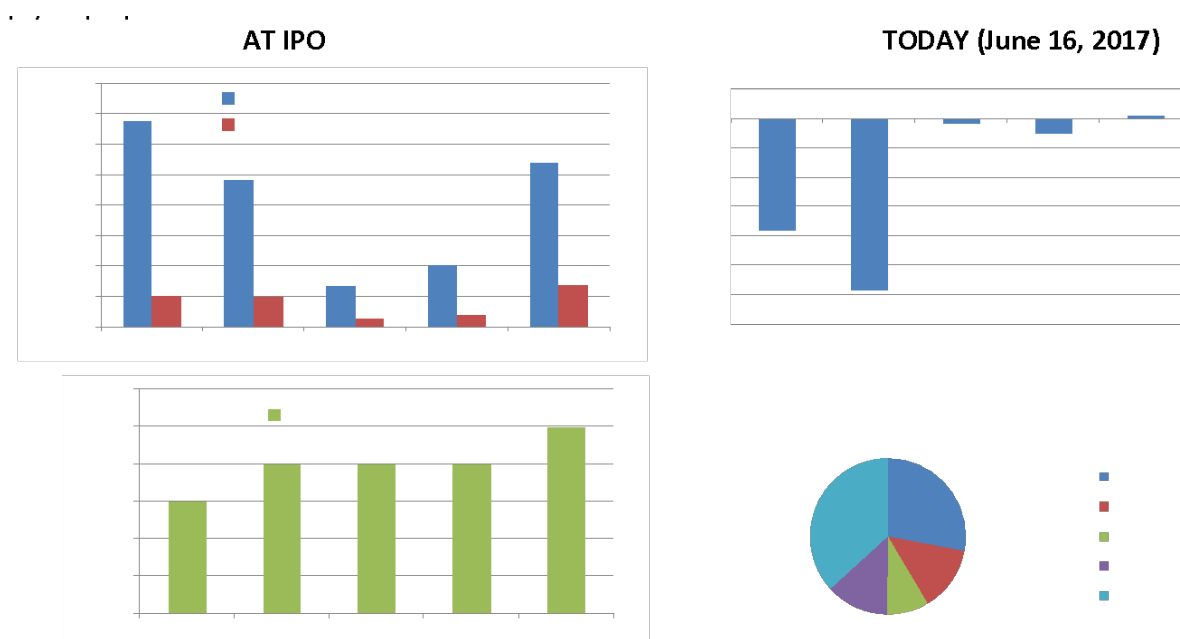
Note:

- MEF could sell its own shares up to 50% after the first half-year after listing.
- According to an PAS report filed with the CSX, JICA purchased 11.5 million shares at a total of \$14.5 Mn. "JICA purchased PAS shares because they trust our capabilities to run the port"
- The public investors in PAS's IPO are granted a minimum guaranteed dividend yield of 5% of the IPO price for the 3-year period after listing.

The company expected to raise US\$ 18.8-27.7 Mn, and did raise US\$ 27Mn (=24,442,992 x \$1.26), close to the higher range, and just above the budget of US\$ 26.6 Mn. The free float is 25%. The total market capitalisation of the company at the IPO was US\$ 108Mn (=85,771,967 x \$1.26).

CONCLUSION

Port Autonomous of Sihanoukville, was a quite successful IPO as the book building covers 2,4 times the offered shares and is a good indicator and presage for future IPO. PAS was the fifth company joining Phnom Penh Stock Exchange with Special Economic Zone Plc., Phnom Penh Autonomous Port, Grand Twins International (Cambodia) Plc. and the Phnom Penh Water Supply Authority, but hopefully not the last one. These tables below gives an overview on the past 5 IPOs in Cambodia.



We can observe that: PPSWA was the largest IPO in terms of market size at the IPO, PAS the first in terms of capital raised, GTI has been the worst performer so far, and the remaining stocks quite flat. The free float remains in average range between 15-25%, a level which should be gradually increase to attract much bigger investors.

But most of all, the conclusion is that with a total Market capitalisation of US\$ 297 Mn, the Cambodia stock exchange is still late in terms of critical size and development. The benchmark ratio is the total Market Capitation / GDP (see table below). This ratio is only **1.98%** in Cambodia, which reflects the need to keep modernizing our education and reform our financial systems.

Country Name	1980	1990	2000	2010	2015
China				66	74
United States	48	52	147	115	139
Euro area	9	28	84	52	65
Indonesia			16	48	41
Singapore	205	95	159	274	219
Thailand		24	23	81	88
Vietnam				26	27
World	31	54	103	87	97

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PPSP

Company overview: <http://www.ppsez.com/en/about-us/business-overview.html>

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