

Best Share Placement: Strong demand for Sunway REIT's follow-on offering despite CMCO

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Some of the proceeds raised will go towards the expansion of Sunway Carnival Mall

A Conditional Movement Control Order (CMCO) was announced for Selangor, Kuala Lumpur and Putrajaya on Oct 12, the day Sunway Real Estate Investment Trust launched a follow-on offering of placement shares — but investors were not deterred.

Owing to strong demand, the issuance was fully upsized to RM710 million from a base offering size of RM665 million, making it the best non-IPO share placement of 2020.

Sunway REIT had announced a proposal to raise funds through the issuance of shares on June 29. Its principal adviser, RHB Investment Bank Bhd (RHB IB), embarked on a marketing exercise in early July and the proposal was approved by Bursa Malaysia on Aug 21.

A management roadshow covering Malaysia, Singapore, Hong Kong and Thailand was held between Sept 21 and 24, with Maybank Investment Bank Bhd (Maybank IB) being the joint bookrunner and placement agent, alongside RHB IB and Credit Suisse.

The proposal received shareholders' approval on Oct 2 and the placement was launched on Oct 12 at an issuance price of RM1.48 per unit. The number of units to be issued was fixed at 479.73 million, to raise RM710 million in gross proceeds.

The placement units were listed on Bursa on Oct 23.

The funds were raised for Sunway REIT to finance its acquisition of The Pinnacle, an office building in Bandar Sunway, and expansion of Sunway Carnival Mall in Seberang Jaya, Penang.

Demand for the placement was considered to be particularly strong, given the negative economic and sociopolitical situation in the country at the time, and the fact that it was priced at RM1.48 per unit — only a 2.8% discount to the five-day volume weighted average price of Sunway REIT's units.

The discount was also below the average discount of 4.5% seen for follow-on issuances by Bursa-listed REITs since 2011, according to Maybank IB.

“Strong pre-launch demand was sustained and successfully converted at launch, resulting in a fully subscribed book for the total deal size including upsize option, notwithstanding the tight discount, challenging market conditions following the resurgence of Covid-19 cases and unexpected announcement of the CMCO,” Maybank IB states in its submission for The Edge Malaysia Best Deals of the Year 2020.

It is also noteworthy that the issuance reopened the REIT primary fund-raising market in Malaysia amid Covid-19, RHB IB says in its submission. Demand for the placement was generated from local and regional funds, including Malaysian government-linked investment companies.