

## Acleda Bank eyes Cambodia IPO record

Equities: Frontier market in line for major liquidity boost

By S Anuradha

SINGAPORE, Feb 21 (IFR) - Acleda Bank is planning to launch a momentous IPO in the fledgling Cambodian stock market next month with the country's largest float to date and the first from the banking sector.

So shallow is the Cambodian stock market currently that the listing is likely to more than treble total market capitalisation from 2.6% to 9% of GDP, a person with knowledge of the deal said.

"We are hoping this IPO will take Cambodia to where Vietnam was in 2006," the person said.

According to an investment teaser, Acleda is planning to raise CR328bn–CR381bn (US\$81m–\$93m) at a range of CR15,000–CR17,400 per share.

Institutional books will open between March 3 and March 14 and the retail offer between March 23 and April 4. Trading on the Cambodia Securities Exchange will start on April 27. The timetable is subject to approval from the Securities and Exchange Commission of Cambodia this week.

The IPO is shaping up as a major liquidity event for a stock exchange that only started operations in 2012 and has just five listings. Cambodia's largest IPO to date was that of Sihanoukville Autonomous Port for CR108bn in June 2017.

"Although the focus of the bank is to get as many local investors, we are hoping that foreign investors will also see the potential of Cambodia and buy the IPO. Some Chinese and Korean investors have shown interest so far," the person with knowledge of the transaction said.

Neighbouring Vietnam launched a stock market in 2000, but progress remained slow until 2006, when a surge in valuations unleashed more IPOs from state-owned companies. In a little over a decade the market saw billion-dollar IPOs from the likes of Vietnam Technological and Commercial Joint Stock Bank, Vincom Retail and Vinhomes.

Some analysts, however, are unsure about the response from foreign investors. Ruchir Desai, a fund manager at Asia Frontier Capital, said the European Union's decision to revoke duty-free rights for certain garments and shoes made in Cambodia could have a negative impact on the country's economy and the outbreak of the coronavirus will have an adverse impact on tourism, a key driver of the economy.

Acleda's valuation is also not cheap compared to peers in other frontier markets. The top of the range implies a price-to-book multiple of 2 while banks in the more developed markets of Bangladesh, Pakistan, Sri Lanka and Vietnam are trading at 1.5 times or below.

Acleda's net interest income rose 12% to US\$304.6m in 2019 from US\$271.9m in 2018. Net profit rose 56% to US\$130.9m from US\$84m during the same period.

The bank's current shareholders are Acleda Financial Trust (26%), Acleda Staff Association (25%), Sumitomo Mitsui Banking Corporation (18.25%), Cofibred (12.25%), Orix (12.25%), Triodos Microfinance Fund (2.5%), Triodos Fair Share Fund (2.18%) and Triodos Sustainable Finance Foundation (1.51%).

Acleda started out as a non-government organisation for micro and small enterprise development in 1993 and transformed itself into a bank in 2003.

Taiwanese-owned *Yuanta Securities* is the sole financial adviser on the transaction.

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