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Thematic Report
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Ng Hong Tong
hongtong@mersec.com.my

Market Update

Bursa IPO Market: Fundamentals Take the Wheel as Risk Appetite Recedes

The recent IPO wave on Bursa Malaysia paints a picture of an increasingly polarized equity landscape, highlighting the complex interplay between selective investor optimism and a broader recalibration of risk across the capital market. Investor optimism remain robust on selective catalysts-driven counters despite the broader macro concerns exerted downward pressure on the overall market sentiment, especially among small cap and speculative plays.

Over the last six months, 42 IPOs were launched across the Main Market and ACE Market, offering a useful barometer of investor sentiment and broader equity market health amid the fast-pace evolving macroeconomics conditions. These IPOs yield mixed performance with several counters particularly those in defensive space delivered exceptional post-IPO performance while a considerable number of debutants saw their share price fall substantially below listing price, highlighting fragility in the investor confidence and heightened investor risk aversion. While first-day performance has been generally positive, long-term price actions reveal a divergence that indicate a shift in the market risk appetite and sentiment dynamics. Looking ahead, we continue to expect the IPO activity to remain steady but highly quality-sensitive, driven by the selected investor risk appetite amid increasing uncertain market environment affected by the on-going global market cues. While the pipeline remains active (Bursa Malaysia is targeting 60 IPOs launches in 2025), we believe IPOs backed by compelling valuations, strong fundamentals, and credible growth trajectories likely continue to lead the market outperformance.

As of April 18, 2025, a total of 42 IPOs have debuted on Bursa Malaysia over the past six months, comprising 7 listings on the Main Market and 35 on the ACE Market. Sector-wise, the Industrial Products & Services sector dominated issuance with 19 counters, followed by Consumer Products & Services (11 counters), Construction (4 counters), Energy (3 counters), Technology (3 counters), and Healthcare (2 counters). The strong first-day performers on the Main Market included Life Water (+44.6%), Azam Jaya (+39.7%), and 99 Speed Mart Retail Holdings (+13.9%), while standout ACE Market debuts were led by Steel Hawk (+130%), Oriental Kopi (+98.9%), and Vetece Holdings (+62.0%). In term of performance since IPOs, Steel Hawk (+200%) appears to be the clear winner, follows by Elridge Energy (+93.1%) and Oriental Kopi (+59.1%). Despite several headline-grabbing debuts, the broader performance trend reflects a growing divergence. A handful of IPOs are now trading below their offer prices, signalling increased investor selectivity, declining speculative appetite, and a pivot toward fundamentals over momentum-driven participation. This performance dispersion underscores a shift in investor sentiment and highlights several emerging themes shaping the current IPO landscape.

1) Strong initial debut is not reflective long-term strength

There is a huge disparity between the first day performance and the post IPO performance. While certain IPOs like Steel Hawk (+130%) and Oriental Kopi (+98.9%) delivered eye-catching returns, more than 70% of the IPOs are now underperforming and trading below their IPO offering price. The phenomenon of strong first-day pops followed by subdued price action or retracement post listing, indicating a clear signal that investors are increasingly discriminating between quality and hype. This pattern reflects a structural shift in investor behaviour, with strong enthusiasm is increasingly reserved for companies with strong growth stories and exposure to long-term structural trends. IPO enthusiasm is no longer a major driver IPO outperformance as it now demands underlying fundamentals. For instance, Azam Jaya's strong post listing performance (+29.5%) is benefited from structural alignment with federal government spending priorities under the Government Budget, particularly in Sabah's infrastructure space. Similarly, Elridge Energy (+93.1%) capitalised on growing investor appetite for clean energy plays, underpinned by the government's National Energy Transition Roadmap (NETR), which provided tailwinds for biomass energy investments. Conversely, companies with opaque earnings visibility or limited exposure to

Ng Hong Tong
hongtong@mersec.com.my

long-term growth trends are seeing their valuations compress post-IPO. The market is increasingly unwilling to assign premium multiples to companies that lack of solid fundamental and strong strategic clarity. Therefore, a strong first-day IPO performance should not be deemed as a reliable indicator of sustained long-term outperformance especially companies with underlying business that lack a compelling growth drivers or robust fundamentals.

2) Sector rotation amid heightened uncertainty: Defensive and structural growth plays lead

In an environment with increasing macro uncertainty, the IPO market is exhibiting a clear sectoral rotation, with investors have greater preference toward defensive and fundamentally resilient sectors. Companies operating within consumer products and services mostly outperformed their cyclical peers, reflecting a broader flight to quality and earnings visibility.

Among the 12 IPOs that have delivered positive post-listing performance, a significant majority are from sectors characterised by:

- Resilient growth drivers – For instance, consumer-focused names such as 99 Speed Mart Retail Holdings (+27.9%), Oriental Kopi (+59.1%), Life Water (+30.0%), and Vanzo Holdings (+20%) have benefited from recurring demand and strong brand affinity, providing a buffer against macro headwinds.
- High return on equity profiles – Companies like Oriental Kopi and Azam Jaya stand out for their capital efficiency and strong profitability, reinforcing investor preference for high-quality balance sheets and earnings accretion.

Conversely, underperforming IPOs have generally been concentrated in sectors with:

- Cyclical revenue streams – For example, TMK Chemical (-37.1%) has seen pressure due to its dependence on volatile industrial chemical prices.
- Margin compression risks – Companies such as KHPT Holdings (-45%) have struggled under an increasingly competitive operating environment, where rising input costs and limited pricing power have weighed on profitability.

3. Market Cap and liquidity premium

An analysis of post-listing performance across recent IPOs reveals a clear market-cap premium at play. Companies with a market capitalisation exceeding RM100m have generally delivered stronger post-IPO returns, reinforcing the market's preference for scale and liquidity.

Out of 30 IPOs with market caps above RM100m, 11 companies recorded positive price performance since listing. In contrast, only 1 out of 10 IPOs with a market cap below RM100m managed to post a positive return. This disparity highlights the influence of trading liquidity on the market interest of the stock which also has follow-through impact on the share price performance.

Larger IPOs tend to benefit from the larger investor pools and greater interests from both retail investor (greater preference over stock with better liquidity) and institutional investors (greater sell-side coverage and fund mandate restriction), which all of these contribute to enhanced price discovery and aftermarket support. On the other end of the spectrum, micro-cap listings (those with <RM100m in market cap) continue to face structural headwinds (weak price momentum post-IPO), underpinned by the thin trading volumes, minimal research coverage, and limited institutional interest. A case in point is Sik Cheong that has market cap of RM71.8m, has since recorded a -46.3% decline in share price. The stock's struggle highlights the liquidity discount often applied to micro-cap names despite of the fundamental strength of the company remain in-tact. This trend reinforces a broader theme: scale is becoming a proxy for investability. As volatility and uncertainty remain elevated in broader market, investors tend to favor IPOs offering better market liquidity as this help to facilitate sustained demand interest (both retail and institutional flows), while providing greater flexibility to exit positions efficiently in the event of uncertainty.

Ng Hong Tong
hongtong@mersec.com.my

Table 1: Number of performers/underperformers in the recent 6-month IPOs

Company Name	Current Market capitalisation	Price changes since IPO (%)	Post performance vs IPO
99 Speed Mart Retail Holdings	17,700.00	27.88	Outperform
Oriental Kopi	1,400.00	59.09	Outperform
Elridge Energy Holdings	1,120.00	93.10	Outperform
TMK Chemical	1,100.00	-37.14	Underperform
Lim Seong Hai Capital	700.00	-5.11	Underperform
Hi Mobility	680.00	11.48	Outperform
Azam Jaya	505.00	29.49	Outperform
CBH Engineering Holdings	451.40	-14.29	Underperform
Pantech Global	437.80	-24.26	Underperform
Life Water	399.80	30.00	Outperform
Mega Fortis	380.20	-32.84	Underperform
Sorento Capital	356.90	12.16	Outperform
Sumisaujana	267.10	-22.92	Underperform
Northeast Group	244.20	-34.00	Underperform
Northern Solar	237.40	-4.76	Underperform
Solar District Cooling Group	222.50	38.16	Outperform
Steel Hawk	220.50	200.00	Outperform
Swift Energy Technology	215.20	-23.21	Underperform
Colform Group	183.00	-15.28	Underperform
EPB Group	182.30	-12.50	Underperform
Metro Healthcare	164.50	-20.00	Underperform
ES Sunloy	150.50	-28.33	Underperform
Carlo Rino Group	146.60	-44.44	Underperform
3Rren	146.30	-19.64	Underperform
Crest Group	134.20	-55.71	Underperform
Winstar Capital	123.30	21.43	Outperform
Cropmate	121.80	-17.50	Underperform
Wawasan Dengkil Holdings	118.80	-12.00	Underperform
Vetece Holdings	103.90	6.00	Outperform
MSB Global Group	100.70	-17.50	Underperform
Chemlite Innovation	99.00	-34.00	Underperform
Techstore	95.00	-5.00	Underperform
Vanzo Holdings	84.00	20.00	Outperform
Supreme Consolidated Resourc	81.70	-24.00	Underperform
Saliran Group	78.50	-24.07	Underperform
Topvision Eye Specialist	68.20	-33.30	Underperform
OB Holdings	54.80	-41.67	Underperform
KHPT Holdings	44.30	-45.00	Underperform
Sik Cheong	38.60	-46.30	Underperform
Richtech Digital	34.30	-32.00	Underperform

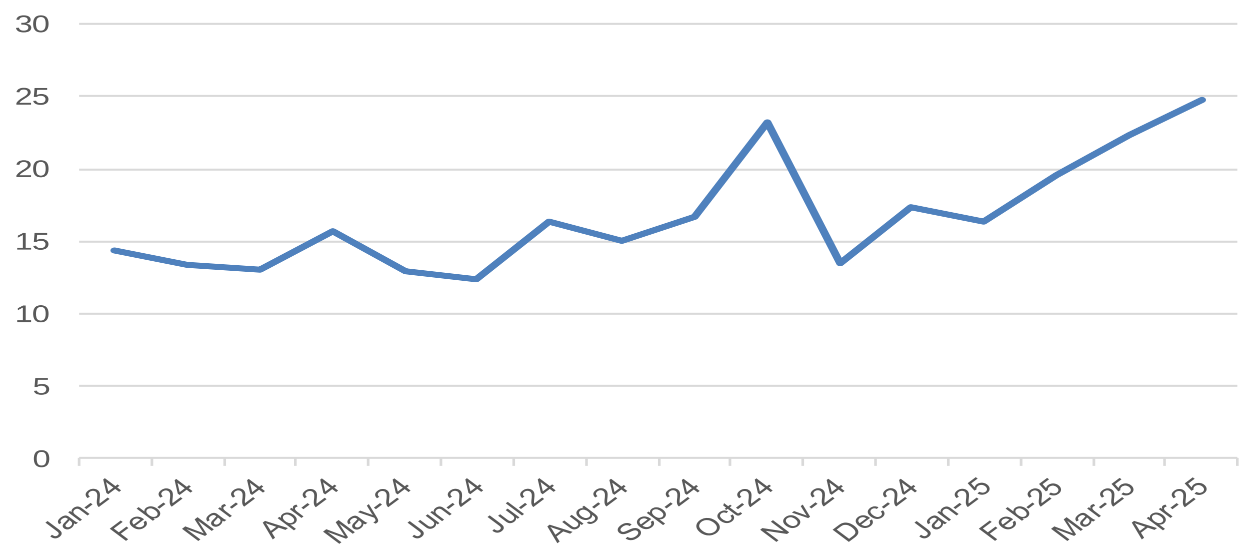
Source: Bloomberg, Mercury Securities

4. Broader Macro Uncertainty continued to weight

The ongoing trade tensions between the U.S. and China, coupled with signs of a broad-based global economic slowdown, have driven markets into a more pronounced risk-off stance. This cautious stance is particularly evident in the performance of IPOs debuting during periods of heightened volatility. Specifically, IPOs launched in March and April 2025, months marked by surge in geopolitical and macroeconomic uncertainty (see Chart 1) which most of them registered lackluster first-day performances and have generally underperformed after listing. The data reinforces a familiar theme: macro conditions act as a key sentiment filter for IPO demand, with investors retreating from higher-risk, unproven equities in favor of defensive or liquid assets during periods of uncertainty. In such an environment, new listings face an uphill battle to attract sustained buying interest, particularly in the absence of strong fundamentals or compelling growth catalysts.

Ng Hong Tong
hongtong@mersec.com.my

Chart 1: VIX Index Price Chart



Source: Bloomberg, Mercury Securities

Table 2: IPOs debuted on March and April 2025 and their performance

Company Names	First-Day Share Price Performance (%)	Price Change Since IPO (%)	Post performance vs IPO
Saliran Group	-22.20	-24.07	Underperform
Lim Seong Hai Capital	-5.68	-5.11	Underperform
Wawasan Dengkil Holdings	-8.00	-12.00	Underperform
Chemlite Innovation	-8.00	-34.00	Underperform
Sumisaujana	-25.00	-22.92	Underperform
MSB Global Group	-15.00	-17.50	Underperform

Source: Bloomberg, Mercury Securities

Conclusion

The recent IPO performance on Bursa Malaysia illustrates a increasingly selective investor landscape, where first-day hype no longer guarantees sustained momentum. The clear divergence between short-term first day price pops and longer-term underperformance also highlights a structural shift in investor behaviors toward fundamentals, scalability, and thematic alignment over speculation.

IPO outperformance is now being driven by companies that offer clear visibility into earnings growth, are aligned with structural macro or policy tailwinds, and operate in defensible sectors. Conversely, issuers with thin margins or cyclical revenues are being repriced substantially post-listing despite of their initial listing hype.

Besides, market capitalization has emerged as a critical differentiator. Larger-cap IPOs are not only benefiting from deeper liquidity and stronger institutional interest but are also displaying better aftermarket support and resilience amid heightened market volatility. This affirms that scale, beyond just fundamentals, is becoming a core proxy for investability in today's increasing volatile market.

With macroeconomic and geopolitical uncertainties continuing to weigh on investor sentiment, we expect IPO markets to remain active but highly quality-sensitive. The upcoming IPO pipeline which targeting 60 listings in 2025 will test the market's appetite further. In our view, only companies that meet the evolving investor preference of strong fundamentals, sector relevance, and structural growth will capture the meaningful traction.

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MERCURY SECURITIES SDN BHD
Registration No. 198401000672 (113193-W)
L-7-2, No 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur
Telephone: (603) - 6203 7227
Website: www.mercurysecurities.com.my
Email: mercurykl@mersec.com.my