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Local IPO attracts world's biggest funds

KUALA LUMPUR — Malaysia's Reach Energy Bhd has attracted investors including Norway's US\$890 billion (RM2.8 trillion) sovereign wealth fund in an initial public offering to fund its acquisitions of oil and gas fields.

Norges Bank Investment Management, the world's largest sovereign wealth fund, is among cornerstone buyers in the RM750 million IPO of Reach Energy, Managing Director Shahul Hamid Mohd Ismail said in a July 21 interview.

State-run funds Koperasi Permodalan Felda Malaysia Bhd and Lembaga Tabung Haji are also buying stakes in the so-called special-purpose acquisition company, Shahul said.

Special-purpose acquisition companies, or SPACs, are known as blank-check entities as they sell

shares to raise money to buy existing business that they haven't yet identified. Investors bet on the deal-making skills of the shell company's executives, who must find a target within a predefined period or return funds they had raised.

Kuala Lumpur-based Reach Energy is searching for oil and gas assets in the Asia Pacific region, where demand for energy has spurred 656 such acquisitions in the six years through 2013, the company said in its prospectus today. Of that, 578 purchases cost below US\$250 million, which is within the range Reach Energy plans to raise, it said.

Reach Energy will sell one billion shares at 75 sen each, according to its prospectus, of which 20 million are for the public. The rest are for institutional investors and selected individuals.

Other cornerstone buyers include Pelaburan Mara Bhd and Chua Sai Men, son of Malaysian tycoon Chua Ma Yu, Shahul said. The institutional portion was oversubscribed, he said.

Reach Energy will be the fourth Malaysian SPAC. Sona Petroleum raised more than RM550 million last year. Other global SPAC creators include Tony Hayward, former CEO of BP Plc whose Vallares Plc raised about US\$2.2 billion in 2011.

After the IPO, Shahul and the management will hold a combined 20 per cent stake in the company. They are investing RM20 million in the stake and won't be allowed to sell it until Reach Energy shows at least one year of operating revenue, he said.

"We are locked in, and we have nothing until we show results," Shahul said. "We have skin in the game." — Bloomberg