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Reach Energy's debut IPO lacklustre on Bursa Malaysia

The 4th and largest O&G SPAC saw its share opened at 72.5 sen with 11.13m shares traded while its warrants opened at 28.5 sen

by AZLI JAMIL

REACH Energy Bhd (REB) shares closed last Friday at a 6% discount to its initial public offer (IPO) price of 75 sen but saw its free detachable warrants ending its first day of trading with a whopping 4,400% jump in price to 22.5 sen from a reference price of 0.5 sen.

The fourth and largest oil and gas (O&G) special-purpose acquisition company (SPAC) saw the mother share opened at 72.5 sen with 11.13 million shares traded while its warrants opened at 28.5 sen with 27.28 million warrants traded.

"For the price of every share, one could buy three warrants which could be exercised within eight years at 75 sen per share. It is better value for money," said a market player who declined to be named.

Eventhough its shares closed at a discount, if the warrants



(From left) Azmi, Shahul Hamid, Reach Energy chairman Izlan Izhab and independent non-ED Nik Din Nik Sulaiman at the listing ceremony in Kuala Lumpur

were taken into account, those who bought REB shares at the IPO price actually made a gain on their investments. "We have to look at both the mother share and the warrants," said CFO Azmi Arshad.

REB raised RM750 million to acquire qualifying assets (QAs) and until that happens the company would place RM710.62 million (94.75%) of the IPO proceeds in an Islamic trust account, as REB is

Shariah-compliant.

A SPAC is given a three-year period to secure a qualifying asset, or the money above must be returned to the IPO investors, greatly reducing the downside of a SPAC IPO investment.

"We will make the acquisitions within one to two years," reiterated MD Shahul Hamid Mohd Ismail adding that they plan to do one on one negotiation with the party rather than

participate in bidding for QA, although Shahul Hamid wouldn't dismiss bidding possibility.

Shahul Hamid affirmed the QA will be within the Asia-Pacific region and its hydrocarbon fields is in the development and production phases, with reserves calculations of at least in the 2P Reserves category (Proven and Probable Reserves).

Shahul Hamid said the pref-

erence is for oil rather than gas due to some extra expenses needed for gas production.

Shahul Hamid assured that REB will look for assets where the company would have operational control, adding that the assets could be newly producing field or even mature fields.

"With new technology, more oil could be squeezed," said Shahul Hamid adding that the assets acquired may not be producing too much oil on a daily basis but the quantity of the reserves is very important.

Commenting on dividend plans, Azmi said it will depend on capital expenditure and other associated costs but assured that no dividend will be paid in the first two years after QA.

REB's warrants was the most active counter traded last Friday with 556.97 million warrants traded while REB came in second with 294.83 million shares traded.

REB's saw trading ranging from a high of 76.5 sen and a low of 69 sen per share while its warrants saw a high of 29 sen and a low of 21.5 sen.

At its closing price, REB with 1.28 billion shares listed is capitalised at RM900.86 million on its first day trading on Bursa Malaysia.