



 **PSE**

IPO | LISTING PRIMER

THE PHILIPPINE STOCK EXCHANGE, INC.

Successful businesses prioritize transformation.

Going public by listing in a stock exchange is a pivotal moment for a company as it opens itself up to numerous growth opportunities. The many benefits realized from the decision to list can then be utilized to support the company's long term strategic goals, and enhance the overall competitiveness and sustainability of its business.

This IPO Listing Primer offers an introduction to the PSE IPO Listing Assistance Program which aims to prepare potential companies to successfully navigate their IPO journey.

We invite companies to learn more about this program. You may email your intent to **marketingservices@pse.com.ph** to jumpstart your IPO planning.



THE ROLE OF THE PSE

The Philippine Stock Exchange, Inc. (“PSE” or “Exchange”) is the sole stock exchange in the Philippines. The PSE traces its roots from the country’s two former bourses, the Manila Stock Exchange (established in 1927) and the Makati Stock Exchange (established in 1963).

The PSE is a publicly-listed organization with the mandate to provide and ensure a fair, efficient, transparent and orderly market for the buying and selling of securities. The Exchange offers a facility for companies to raise capital for their expansion and other financing requirements. Such funding can be generated by selling shares to investors, who eventually trade these shares once a company is listed.

After listing, the shares are then bought and sold by investors via the Exchange’s facilities, allowing a safe and convenient way to perform subsequent financial transactions after a company’s initial public offering.

As a company granted Self-Regulatory Organization (SRO) license by the Securities and Exchange Commission, the PSE plays a vital role in the capital markets ecosystem through its commitment and initiatives to promote market integrity, efficiency and transparency. The continuous development and enforcement of the rules of the Exchange seek to foster and enable capital market development and innovation. Companies whose shares are listed and traded in the Exchange likewise undergo a transformation process given the governance, disclosure and other requirements of the Exchange.





THE DECISION TO GO PUBLIC

“Going public” refers to the process of offering shares of a private corporation to the public in a new stock issuance. The first time these securities are offered is referred to as an initial public offering or “IPO”.

For organizations exploring listing in an exchange, it is essential to examine pros and cons of going public relative to the company’s financial condition and funding objectives. Aside from internal business processes, external factors such as global and local economic stability, market conditions, market outlook and investor appetite must also be considered when deciding to go public.

Advantages of Listing



Access to long term CAPITAL

- Raise capital from selling shares available for use in strategic growth initiatives, servicing of debt, and/or funding of acquisitions.
- The company may return to the stock market for succeeding offerings post-IPO to raise additional funding.



Enhanced FINANCIAL POSITION

- Increased transparency from market-driven valuation and regular disclosure reporting of the company contribute to potentially more favorable corporate financing terms from other sources (e.g., *banks, bond market, etc.*).



Strengthened LIQUIDITY and VALUATION

- Liquidity and ready valuation of listed securities have a favorable impact on the potential entry of strategic investors in the company.
- Easier for investors to buy or sell shares of a company that is listed, as these can be done online or via a traditional broker.



Enhanced CORPORATE GOVERNANCE

- Publicly listed companies are required to comply with strict corporate governance rules and require greater transparency via regular disclosures to the investing public. This results in a professionally-run company with a sound management team leading it. It also enhances the sustainability of a company's overall operations.



Positive BRAND IMAGERY

- As visibility to shareholders and to the public increases through regular company disclosures, the credibility of the company heightens which makes it more attractive to prospective new investors and ventures.



Exposure to the GLOBAL MARKET

- A publicly listed company generates greater awareness as compared to a private company's conventional marketing and public relations efforts.
- Regular disclosures, media reports, and analyst coverage increase the company's visibility to potential investors (both local and global) and strategic partners.



Invigorated TALENT HIRING and RETENTION

- Stock option and stock purchase plans for employees can boost morale and can be effective as an employee retention tool as it increases.

Going public is a rigorous process and it continuous to be even after IPO. The transformation is not only felt on the growth of the company, but also on the increased responsibility to its shareholders and the investing public. Part of PSE's role is to help the company navigate the risks prior to and after listing, as preparedness to the rigors of being listed is key to a company's sustained success.



Compliance Costs

Disclosure of information and greater regulatory requirements provide details of the business to investors and public scrutiny, and competent professionals have to be engaged for regulatory compliance.



Increased MONITORING

Shareholders are expected to monitor the effectiveness of management in achieving strategic and operational objectives to enhance shareholder value.



Heightened EXPECTATIONS

There is more pressure to maintain, if not exceed, growth targets previously established to meet the expectations of analysts and shareholders who are key proponents in defining the publicly listed company's share price.



Dilution of OWNERSHIP

The founders' ownership interests and voting rights will be diluted with public shareholders.



Difficult to REVERSE

The costs of taking a public company back to becoming private can be impracticable and may create a negative public image, especially to its shareholders.



Significant EXPENSES

Expenses relating to the IPO itself are estimated at 6% to 8% of the issue size depending on the scale of the public offering. These expenses will be generally sourced from the proceeds of the IPO.

With a thorough understanding of the advantages and challenges of going public, the company can now determine the best TIMING and the applicable WAY to apply for listing.

Initial Public Offering

- A private company with a profitable track record raises capital by offering its shares to public investors.
- Distribution or offer to sell new shares and/or existing shares of a company to the general public.

Listing by Way of Introduction

- Private company applies for listing of securities that are already issued or securities that will be issued upon listing.
- No public offering is undertaken prior to initial listing either because the company's securities are already deemed publicly held, or when listing is mandated by law, the SEC, or other government agencies; public offering after listing may be required for specific applicants.

General Criteria for Listing

Criteria	Main Board	SME Board
Operating History Requirement	Three (3) years of engaging in materially the same business.	Two (2) years of engaging in materially the same business.
Board of Directors Requirement	Minimum of seven (7) directors , two (2) of which or 20% of the board have to be independent, and each director should have at least one (1) share in his name	
Profit Test	A.) Cumulative net income of Php75 million for the last three (3) fiscal years; and	A.) Cumulative EBITDA of at least Php15 million for the last three (3) fiscal years or such shorter period as the company has been operating; or
	B.) Net income of Php50 million for the most recent financial year	B.) Cumulative operating revenues or sales of at least Php150 million for the last three (3) fiscal years or such shorter period as the company has been operating, with at least 20% average net sales or operating revenue growth rate for the last 2 fiscal years
Stockholders' Equity Requirement	Stockholders' equity must be at least Php500 million for the most recent fiscal year	Stockholders' equity must be at least Php25 million for the most recent fiscal year
Minimum Number of Stockholder's upon Listing	At least 1000 stockholders, each owning stocks equivalent to at least one (1) board lot	At least 200 stockholders, each owning stocks equivalent to at least one (1) board lot
Minimum Public Offering	20% upon and after listing	20% upon and after listing
Other Requirements	Submission of a business plan containing steps to advance the company's business over a period of five (5) years	

*EBITDA should not include nor be reduced by non-recurring and extraordinary income and/or loss

Sponsor-driven Listing

Companies that are applying on the SME Board that are unable to comply with the profitability and/or stockholders' equity requirement may apply via the Sponsor Model. This will give high growth and start up companies access to the capital market, while receiving valuable guidance from a Sponsor throughout the pre-IPO and post-IPO process.

*Applicant's suitability for listing will be evaluated by a PSE-accredited listing sponsor
 *For more details on the rules for Listing Under the Sponsor Model, please visit the Listing section of the PSE website (<https://www.pse.com.ph>)



The PSE is now offering a one-stop shop service to interested and potential listing applicants by providing virtual info sessions on the process and criteria of the IPO application.

Most importantly, PSE can connect applicants to established and experienced advisors.



Financial Advisor

- Assists the company in the following areas: IPO readiness assessment, IPO offer structure, documentation preparation, selection of the IPO team, valuation, and advice on pricing option.



Issue Manager and Underwriter

- Assists the company in various activities throughout the IPO process, such as valuation, offer structure, and preparation of prospectus and registration statement.
- Underwrites shares to be offered on a firm commitment basis.
- Undertakes distribution and sale of offer shares.



Legal Counsel

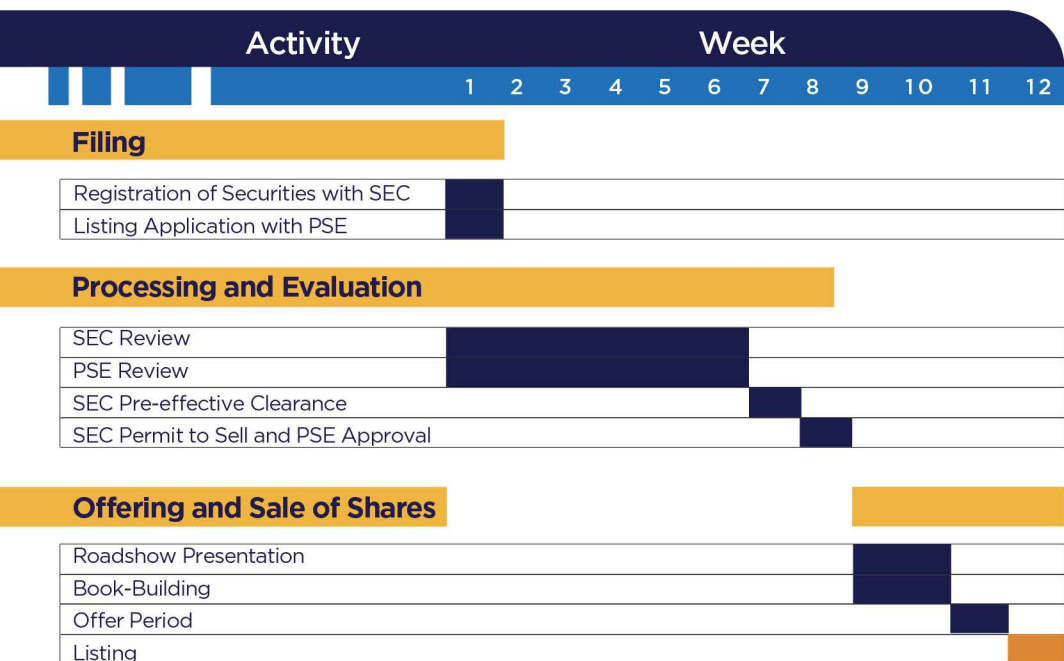
- Issuer's Counsel
 - Prepares registration statement for filing with SEC.
 - Assists in drafting the prospectus.
- Underwriter's Counsel
 - Assists the underwriter in meeting legal responsibilities.
 - Prepares disclosure documents.



Audit

- Must be a SEC Group A Accredited Auditing Firm.
- Responsible for the audit or review of the company's financial statements, in compliance with the relevant financial reporting standards.

Stage	Activities
Preparatory Stage	<ul style="list-style-type: none"> Appoint key parties Conduct due diligence review Undertake corporate and/or capital restructuring activities Valuation of the Company's shares Preparation of audited financial statements Preparation of the prospectus Preparation of applications with SEC and PSE Preparation of requisite agreements
Filing Stage	<ul style="list-style-type: none"> File the Registration Statement with the SEC File the Listing Application with the PSE
Processing & Evaluation	<ul style="list-style-type: none"> Evaluation of Registration Statement by the SEC Evaluation of Listing Application by the PSE Issuance of and replies to comment letters Ocular inspection Company presentations Release of SEC Pre-effective Letter Approval of the PSE Board of Directors
Roadshow and Book-Building Period	<ul style="list-style-type: none"> Securing anchor and cornerstone investors Presentation of the offering to potential investors Analyst briefings Finalization of offer price
Offering Period	<ul style="list-style-type: none"> Distribution of selling materials Subscription of trading participants Subscription of local small investors
Post-Offering Period	<ul style="list-style-type: none"> Consolidation of sales reports Remittance of offer proceeds to the custodian bank Refund check payments of rejected applications Lodgment of shares with the PDTC Payment of fees of key parties from the offer proceeds
Listing	<ul style="list-style-type: none"> Listing ceremony Shares of the company begin trading publicly



**The processing timeline reflects the IPO process from the date all requirements are duly submitted. Actual timeline may vary depending on any issues in connection with the application and the processing by all parties, including the regulators, of the disclosure and other requirements for the IPO. The timeline likewise excludes pre-filing processes such as the conduct of due diligence by the underwriters, etc. Please note that the timetable above reflects a pre-pandemic scenario.*

We take a look at the performance of recent successful IPOs in PSE.

Initial Public Offerings Scorecard

Company	Listing Date	Offer Shares	Capital Raised (IPO)	Market Capitalization on Listing Date
Wilcon Depot, Inc.	3/31/2017	1,393,906,200	7,039,226,310	66,989,492,055
Fruitas Holdings, Inc.	11/29/2019	533,660,000	896,548,800	2,795,120,800
Merrymart Consumer Corp.	6/15/2020	1,594,936,709	1,594,936,709	23,772,151,899

*Market Cap data = downloaded via PSE Edge (7/8/2020)

*Offer shares = Capital Raised divided by Offer price

IPO Company Highlight - Wilcon Depot

Wilcon Depot is the leading home improvement and finishing construction supplies retailer in the country. The business has been in operation for more than 40 years, starting out as a 60-square meter traditional hardware store in 1977. A pioneer in modernizing home improvement retailing, its depot format became the standard one-stop-shop for building and renovating. Its store network is now 61 branches-strong, having added 25 stores since its listing in 2017. Wilcon Depot plans to have 100 stores by 2025, continually enhance its product offerings across categories and improve customer shop-

The Philippine Stock Exchange, Inc.
congratulates

WILCON DEPOT

on its
Initial Public Offering



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PLDT posted gains in Q1, as wireless business recovered



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Services As of 04:35 PM

Market Closed

MAC 2620

WAP 6.44

0.00%

INQUIRER

Number of ultrafast growing firms

MISGA 340

100% 100%

100% 100%

100% 100%