

# IPO

## LISTING PRIMER

THE PHILIPPINE STOCK EXCHANGE, INC.









# Successful businesses prioritize transformation.

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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 provides an overview of the PSE's Listing Engagement & Assistance Program ("LEAP"), designed to equip potential issuers with the tools and support needed to effectively navigate their IPO journey.

We invite companies to learn more about this program. You may email your intent to **[leap@pse.com.ph](mailto:leap@pse.com.ph)** to start your journey towards growth.







# THE ROLE OF THE PSE

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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) status 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

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“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 the 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 by issuing more shares.



## 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 via an online or 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. These regulatory requirements help a company develop a more compliance-conscious mindset and encourage the management team to further professionalize its operations to make the business more sustainable.





## Positive BRAND IMAGERY

- As visibility for shareholders and to the public increases through regular company disclosures, the credibility of the company heightens which makes it more attractive to prospective investors, creditors, and potential business partners and stakeholders that may want to explore new ventures or collaborative opportunities.



## 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 enhance the company's exposure to potential investors, both domestically and internationally, as well as to 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.
- Companies that are listed also become attractive for professionals to work for due to the name recognition and enhanced publicity provided by their status as a listed entity.

*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.*

# Challenges of Listing



## Compliance Costs

Disclosure of information and greater regulatory requirements open up more details about the company to investors and various stakeholders which can lead to increased public scrutiny. A team of competent professionals have to be engaged to prepare submission of periodic and ad hoc reports and ensure 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 the entry of public shareholders, which may include external strategic investors who may take up a significant stake in the company.



## Difficult to Reverse

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



## Significant Expenses

Expenses relating to the IPO itself are estimated at 4% to 6% 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.



# Ways to go Public

## Initial Public Offering (IPO)

- 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 (LBWI)

- 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   | At least two (2) years prior to listing application   |
| Profit Test                                 | A.) Cumulative <b>net income of Php75 million</b> for the last three (3) fiscal years; <b>and</b>   | A.) Cumulative <b>EBITDA of at least Php15 million</b> for the last three (3) fiscal years or such shorter period as the company has been operating; <b>or</b>  |
|   | B.) <b>Net income of Php50 million</b> for the most recent fiscal year  | B.) <b>Cumulative operating revenues or sales of at least Php150 million</b> 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 |
|   | (Note: There are exceptions under the rules that may be applicable.)  |   |
| Stockholders' Equity Requirement            | <b>At least Php500 million</b> for the most recent fiscal year  | <b>At least Php25 million</b> in the fiscal year immediately preceding the filing of the listing application  |
| 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 |   |
| Minimum Number of Stockholders upon Listing | At least 1,000 stockholders, each owning stocks equivalent to at least  | At least 200 stockholders, each owning stocks equivalent to at least one (1) board lot  |

\* Companies that are unable to comply with the profitability and/or stockholder's equity requirement may apply under the SME Board via the **Sponsor-driven listing**.



# Sponsor-driven Listing

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Designed for high growth and start-up companies that do not have the required track record of profitable operations and/or stockholders' equity.

## Designed for:

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- High growth companies poised to grow at a much faster rate than the average in their industry
- Start-up companies in the early stages of development but have scalable or expandable business models

The Sponsor will determine an applicant's suitability for listing and justify why it considers the applicant suitable.

The PSE-accredited sponsor could be a **corporation** or a **partnership registered with the SEC**, and should have:

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- a. At least five years experience in a leading role in IPOs or significant corporate finance transactions; **or**
- b. Three years experience if at least two personnel have at least five years experience in a leading role in IPOs or significant corporate finance transactions.



# IPO Team

An IPO team typically consists of professionals from various fields who collaborate to manage and execute the process of taking a private company public. Here's a breakdown of the roles commonly found in an IPO team:

## Financial Advisor

- Provides strategic guidance to the company's management team on various aspects of the IPO, including IPO readiness assessment, IPO offer structure, pricing strategies, documentation preparation and selection of the IPO team.

## Issue Manager and Underwriter

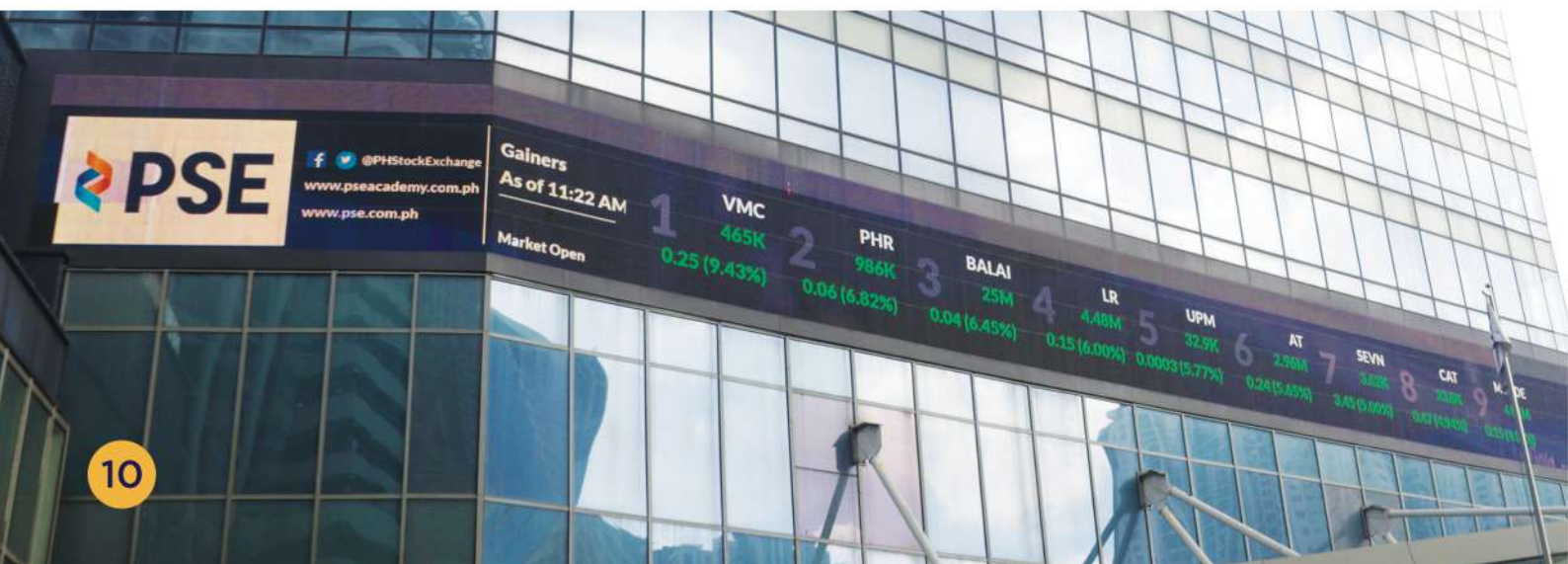
- Assists the company in various activities throughout the IPO process, such as valuation, offer structure, and preparation of prospectus and Registration Statement
- Underwrites shares to be offered on a firm commitment basis
- Undertakes distribution and sale of offer shares

## 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

## Auditor

- Responsible for the audit or review of the company's financial statements, in compliance with relevant financial reporting standards

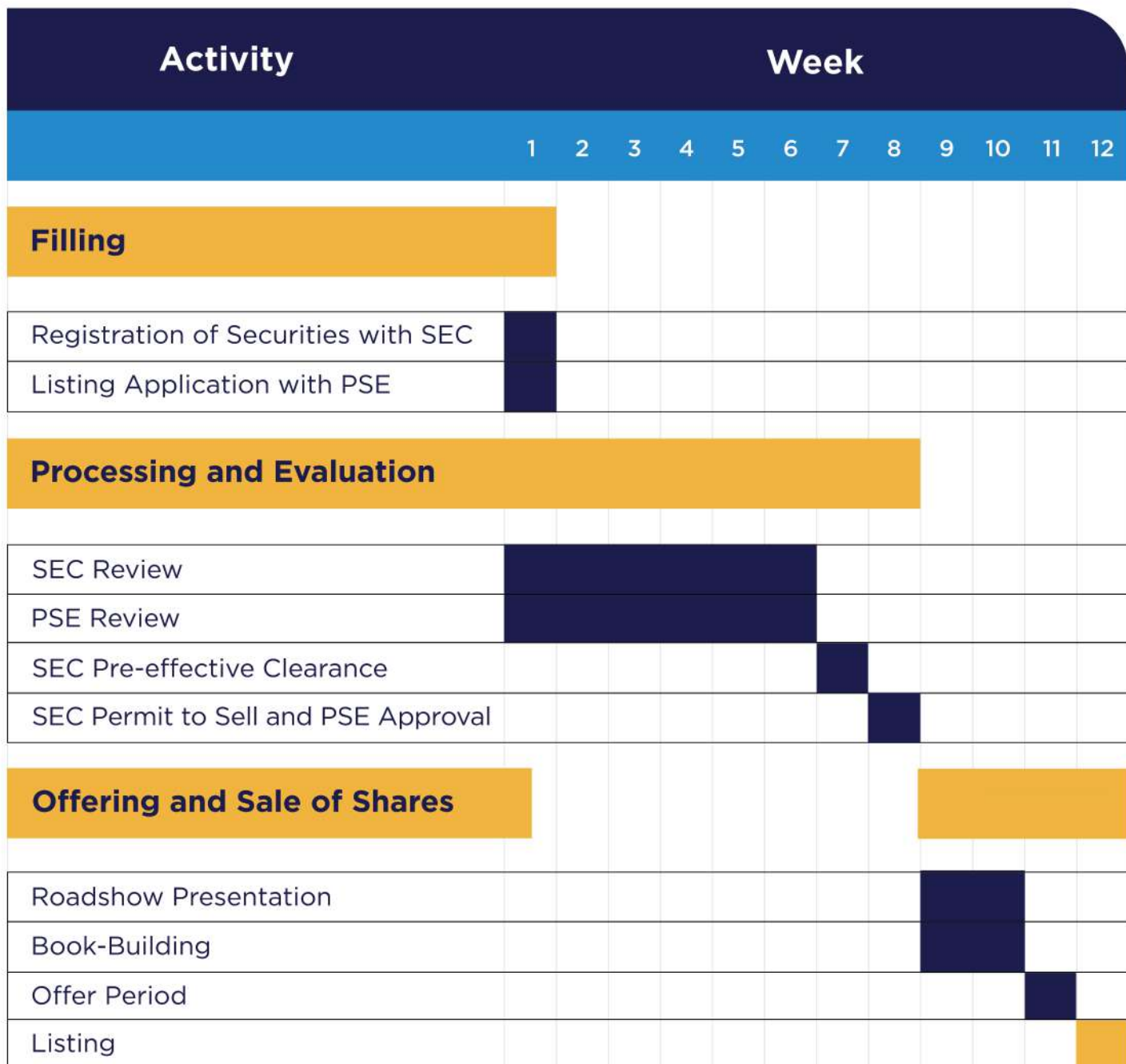


# Procedures in Filing for an IPO

| STAGE                              | ACTIVITIES   |
|------------------------------------|--|
| <b>Preparatory Stage</b>           | Appoint key parties  |
|                                    | Conduct due diligence review                               |
|                                    | Undertake corporate and/or actual restructuring activities |
|                                    | Valuation of the company's shares                          |
|                                    | Preparation of audited financial statements                |
|                                    | Preparation of the prospectus                              |
|                                    | Preparation of applications with SEC and PSE               |
| <b>Filing Stage</b>                | File the Registration Statement with the SEC               |
|                                    | File the Listing Application with the PSE                  |
| <b>Processing &amp; Evaluation</b> | 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                        |
| <b>Offering and Sale of Shares</b> | Securing anchor and cornerstone investors                  |
|                                    | Presentation of the offering to potential investors        |
|                                    | Analyst briefings  |
|                                    | Finalization of offer price                                |
|                                    | Public offer period  |
|                                    | Settlement   |
|                                    | Listing and trading  |



# Process Timeline



\*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.

# The PSE Listing Engagement and Assistance Program (“LEAP”)

The PSE Listing Engagement and Assistance Program is a FREE handholding initiative by the Exchange, providing a comprehensive one-stop service for potential listing applicants.

This program includes personalized guidance through one-on-one advisory sessions, access to online pre-listing assessment tools, facilitation in connecting applicants with experienced IPO advisors, and access to post-IPO services such as PSE STAR and additional workshops and training sessions.

## INITIAL PUBLIC OFFERINGS SCORECARD

**2022**

| COMPANY                                | LISTING DATE | OFFER SHARES | IPO PROCEEDS<br>(in Php millions) | CURRENT MARKET CAPITALIZATION<br>(in Php millions) |
|--|--------------|--------------|-----------------------------------|--|
| Haus Talk, Inc.                        | 17-Jan-22    | 500.00       | 750.00                            | 2,625.00   |
| Figaro Coffee Group, Inc.              | 24-Jan-22    | 1,023.18     | 767.39                            | 3,554.50   |
| Citicore Energy REIT Corp.             | 22-Feb-22    | *2,509.09    | 6,398.18                          | 18,196.36  |
| Bank of Commerce                       | 31-Mar-22    | 280.60       | 3,367.23                          | 9,049.44   |
| CTS Global Equity Group, Inc.          | 13-Apr-22    | 1,375.00     | 1,375.00                          | 4,881.25   |
| Raslag Corp.                           | 6-Jun-22     | *402.50      | 805.00                            | 1,500.00   |
| VistaREIT, Inc.                        | 15-Jun-22    | *2,750.00    | 4,812.50                          | 13,125.00  |
| Balai Ni Fruitas Inc.                  | 30-Jun-22    | *412.50      | 288.75                            | 657.80   |
| Premiere Island Power REIT Corporation | 15-Dec-22    | *1,610.00    | 2,415.00                          | 5,557.85   |

**2023**

|  |           |          |          |          |
|--|-----------|----------|----------|----------|
| Alternergy Holdings Corporation        | 24-Mar-23 | 1,265.00 | 1,619.20 | 2,596.33 |
| Upson International Corp.              | 3-Apr-23  | *687.50  | 1,650.00 | 3,187.50 |
| Repower Energy Development Corporation | 24-Jul-23 | *210.00  | 1,050.00 | 3,633.50 |

\*Market Cap data from PSE Edge as of April 24, 2024

\*With secondary shares offered



# IPO Success Stories



“If the timing is right, because you’re listed, because you have that seal of good housekeeping, you can go further than just an IPO. You can actually do things like issue fixed income or a bond and borrow at really low rates.”

**Alvin Lao**

President and CEO of D&L Industries, Inc.

“It was like the door opener doing the IPO in 2014.....it became a catalyst for us to be able to do a lot more and with a more significant amount.”

**Edgar “Injap” Sia II**

Chairman and CEO of DoubleDragon Corporation



“To be a listed company in the Philippine Stock Exchange brings a lot of credibility to our company.”

**Lester Yu**

President and CEO of Fruitas Holdings, Inc.



“Without the IPO, we probably wouldn’t have been this fast in growing our company. It [IPO] means that your company has a good track record, it’s earning, and it has good corporate governance, and it invites the small investors to invest in your company.”

**Robert Gerard Nepomuceno**

President and CEO of Raslag Corp.



“It [Going public] is a tool for you to grow your business, to grow your organization. Previous to that [Going public], we had a track record of maybe...maximum 4 or 5 branches... But because we had that fundraising... now we’re able to open 8 to 10, even 11, 12 stores a year.”

**Lorraine Belo-Cincochan**

President & CEO, Wilcon Depot, Inc.





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