

Many firms on Catalist in the red after years of listing: Study

Many of the shares that stay listed on Singapore Exchange's Catalist board for over seven years have underperformed, according to a new study.

It examined Catalist issuers with net income figures available for the 2019 financial year.

The report showed that out of 214 companies, 56.5 per cent or 121 firms made losses.

Among those listed fewer than seven years, 37 per cent were making losses, while 71 per cent of those listed for more than seven years were in the red.

"While not conclusive, this is contrary to expectations as one would expect growth companies to start as relatively unprofitable companies and become more profitable over time," noted the report from Associate Professor Mak Yuen Teen of the National University of Singapore Business School and investor and researcher Chew Yi Hong. They have urged that a review of the Catalist board be undertaken.

The report also noted the conflicts of interest in the sponsorship regime due to business relationships between sponsors and the companies they support.

Prof Mak and Mr Chew argued that sponsors might hesitate to report disclosure or compliance breaches by issuers because they do not want to lose revenue from these firms.

An issuer is free to change sponsor after three years of listing on Catalist and may drop one that it does not see eye to eye with. "A change in sponsor is a potential warning sign for Catalist companies, and multiple changes/short relationships between a company and sponsor are more likely to indicate problems with the issuer," the report said.

There were 215 companies listed on Catalist as of May this year and 20 sponsors.

The top three sponsors are PrimePartners Corporate Finance, which sponsors 55 companies or 25 per cent, SAC Capital with 35 (16 per cent) and RHT Capital on 25 (12 per cent).

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SIGN OF TROUBLE

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THE REPORT FROM ASSOCIATE
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