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DEAL: ING Life Insurance Korea's \$977 million IPO

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A South Korean insurance giant has become the first company wholly-owned by a private equity firm to list in the country. But its unique corporate structure has seen it subject to an unusual regulatory rule.

ING Life Insurance Korea, owned by Seoul-based MBK Partners, successfully raised \$977 million from its initial public offering (IPO) on the Korea Exchange (KRX). This was the second-largest listing this year after South Korean gaming company Netmarble's \$2.3 billion IPO.

But as this was an IPO raised by an issuer wholly-owned by a private equity firm, there was a regulatory issue in respect of the listing: the KRX required MBK to adopt a one-year lockup on its shares, which differs from the one-year period imposed on other issuers.



ING's ownership structure influenced the listing rules

liability company (LLC).

"A one-year lockup was required because it was expected that [MBK] would ultimately sell the shares," noted [Dong Chul Kim](#), partner at Paul Hastings in Seoul.

MBK, which acquired a 100% stake in the issuer via its affiliate Life Investment in December 2013 from ING, had a subsidiary which was a special purpose company (SPC) established in the form of a limited

KEY TAKEAWAYS

- **ING Life Insurance Korea, owned by MBK Partners, has successfully raised \$977 million from its IPO on the Korea Exchange (KRX), the second-largest listing this year after gaming giant Netmarble's \$2.3 billion IPO;**
- **MBK, which acquired a 100% stake in the issuer via an affiliate in 2013, had a subsidiary which was a special purpose company (SPC) established in the form of a limited liability company (LLC);**
- **Research by IFLR has also discovered that the LLC was the owner of the issuer on behalf of its parent MBK, and this formed a two-tier ownership structure resulting in both MBK and the LLC being subject to a lock-up;**
- **Historically, private equity funds in Korea have generally made an exit by selling their shares to strategic investors or to their peers. But, with several private companies with strong financials currently being held by PE fund, counsel believe that ING's successful listing could propel others to look at listing as a means of recovering their investment.**

According to an offering document seen by IFLR, the selling shareholder, Life Investment will, after the global offering, hold 48.5 million, or 59.1%, of common shares issued and outstanding. But it may not dispose of them until the lockup period expires, while being permitted to sell its shares only on the condition that the acquirer becomes the issuer's largest shareholder. The buyer would then be subject to a six-month lockup period on the shares.

[Hye Sung Kim](#), partner at Kim & Chang in Seoul, however, said that details of the lockup arrangement, including the scope of deposited securities, need to be further discussed with the KRX.

According to research, the LLC was the owner of the issuer on behalf of its parent MBK, and this formed a two-tier ownership structure resulting in both the MBK and the LLC being subject to a lockup. This has been confirmed by a partner at Shin & Kim in Seoul, who pointed out that the fact that the SPC was an LLC and not a corporation gave rise to issues over whether the interest held by MBK in the LLC could be transferred.

"We were able to resolve this issue by obtaining a certificate both from MBK and the SPC that the interest and the shares held were subject to lockup, which was in the form of a certificate," said the partner. He added that the issuer also managed to test this out through a simple random sample with investors in case any of them have any issues on the lockup.

Historically, private equity funds in Korea have generally made an exit by selling their shares to strategic investors or to their peers. But, with several private companies with strong financials currently being held by funds, counsel believe that ING's successful listing could propel others to look at listing as a means of recovering their investment.

"The regular lockup period required by the KRX is six months but in this case a one-year lockup was required because it was expected that [MBK] would ultimately sell the shares"

PRE-MARKETING/EARLY LOOK PROCESSES

- Regarding the marketing process in the US, it was quite helpful to have US and other non-Korean

investors invited because the offering was oversubscribed overseas, but it was not the case in the Korean domestic market.

- Foreign investors saw the company's high capitalisation ratio and it is very well-positioned to take advantage of the more stringent regulatory life insurers' capital requirements, which will be introduced in the coming years.
- Korea is expected to adopt revised accounting standards in accordance with IFRS 17, which will value insurance contract liabilities based on the current market rates with a risk adjustment.

PRICING & ALLOCATION

- In terms of allocation, it was required under the Korean regulations to allocate at least 20% to employee stock ownership association, and 20% to retail investors and the remaining 60% was allocated to institutional investors, including foreign institutions. But it is unknown how much of the 60% institutional investor portion was allocated to overseas investors.
- A total of 33.5 million common shares, priced at \$28.91 each, were issued in two tranches. The head tranche, which was rule 144A-eligible, consisted of 26.8 million shares sold to international and domestic institutional as well as retail investors. The other tranche, which was allocated to the employee stock ownership association, accounted for 6.7 million shares of the total.
- The issuer was granted an exemption from registration under the US Securities Act for its common shares sold to qualified institutional investors in the US in reliance on rule 144A.

PROSPECTUS PECULIARITIES

- There were certain statements in the securities registration statement and prospectus addressing issues arising from MBK, a PE firm, being the largest shareholder of ING Life Insurance Korea. Specifically, the relevant documents included statements regarding a potential change of control because MBK would by nature be selling its shares at the end of a certain period.

Tear Sheet

Kim & Chang advised the IPO issuer and Shin & Kim advised the underwriters on Korean law. Cleary Gottlieb Steen & Hamilton LLP (Korea) acted as US counsel for the issuer, while Paul Hastings (Korea) represented the five underwriters.

The common shares were priced on April 24 and traded on May 11.

See also

[DEAL: Korea's second largest 2016 IPO](#)

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