

AUSTRALIAN IPO ACTIVITY FOR THE FIRST HALF OF 2019

IPO WATCH AUSTRALIA MID-YEAR REPORT

JULY 2019



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The term "small cap" is used to refer to companies with a market capitalisation of no more than \$100 million. All analysis by reference to market capitalisation on listing is based on the price at which new securities were issued.

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FOREWORD

A reduction in IPOs during the first half of 2019



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The first six months of 2019 saw a subdued start to the IPO market with only 23 companies listing. This is a fall in new listings relative to prior periods with 39 listings for the same period in 2018 and a five-year average of 36 listings.

A total of \$823 million was raised during the six-month period. This amount was significantly less when compared to total funds raised during the same periods in 2018 (\$2.5 billion) and 2017 (\$1.9 billion).

It was a slow start for 2019 and the majority of listings occurred in the second quarter. This is again in contrast to the 2018 and 2017 years which saw listings spread more evenly throughout the year. There were five new listings in May and nine in June in 2019. These listings, when combined, raised \$664 million, making up 81% of the \$823 million raised in total. The lack of activity in the first quarter of the year was possibly reflective of equity market conditions at the end of 2018.

The small cap sector (being those with less than \$100 million market capitalisation at listing) was somewhat subdued with only 13 listings. This is low when compared to 2018, where there were 31 small cap listings in the same period and 72 listings in total for the whole year. The large cap sector was well represented in new listings for the first half of 2019, with 10 of the 23 listings. They raised a combined

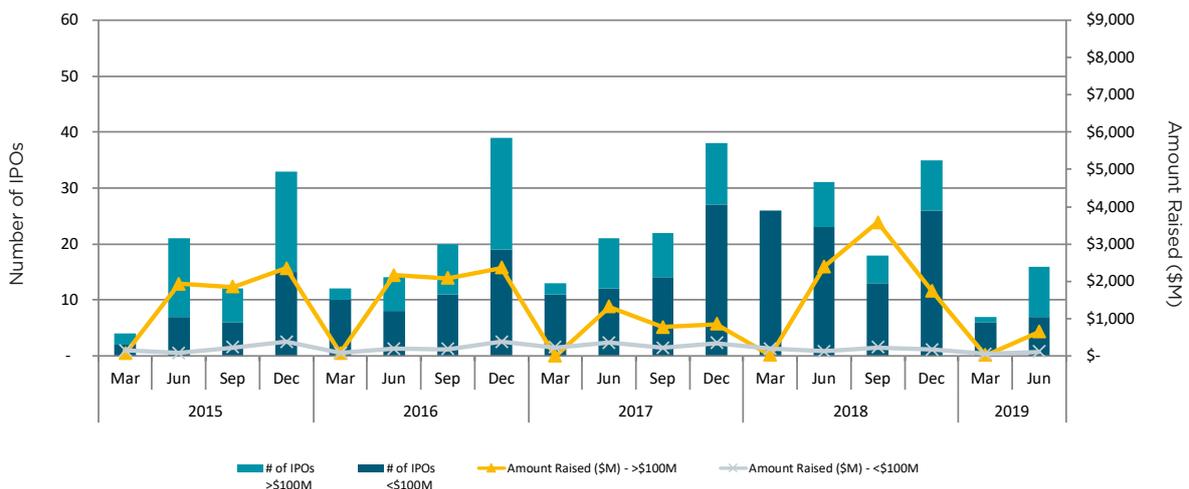
total of \$663 million, with three of the listings raising over \$100 million each. The activity by the large caps in this period is comparable to prior years.

Whilst historically a strong sector, Materials only had three new listings for the period (first half of 2018: 16 listings). All of the Materials listings held gold projects. In terms of the rest of the market, there were funds raised across 11 different industry sectors and the Software & Services sector remained well represented with four new listings.

The year to date has been positive from a share price perspective, despite the low number of new listings. A total of 17 listings recorded first day gains for an average gain of 21% across all new listings. In terms of share price growth post-listing, this performance continued with an average gain of 63% across all new entrants from listing to June 2019. This represents a significant turnaround compared to the previous year's listings which lost an average of 18% by year-end relative to their listing price.

New listings were well supported in terms of subscriptions with 19 out of 23 new listings meeting their subscription target raising on average 100% of the total subscription funds sought. There was also a substantial increase in underwritten offers representing 39% of all new listings (2018: 17%).

IPO ACTIVITY BY QUARTER



SECTOR ANALYSIS

Sector diversity despite a fall in listings

Industry	All Listings				Small Cap Only			
	2019		2018		2019		2018	
	Number	Amount Raised (\$m)	Number	Amount Raised (\$m)	Number	Amount Raised (\$m)	Number	Amount Raised (\$m)
Automobiles & Components	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-
Capital Goods	-	-	1	5	-	-	1	5
Commercial Services & Supplies	-	-	1	10	-	-	1	10
Commercial & Professional Services	-	-	-	-	-	-	-	-
Consumer Services	2	95	-	-	1	20	-	-
Diversified Financials	4	203	5	651	1	15	1	21
Energy	2	16	-	-	2	16	-	-
Food & Staples Retailing	1	5	-	-	1	5	-	-
Food, Beverage & Tobacco	-	-	1	8	-	-	1	8
Health Care Equipment & Services	2	56	1	35	1	21	1	35
Household & Personal Products	-	-	2	9	-	-	1	7
Insurance	-	-	-	-	-	-	-	-
Investments	-	-	2	1,333	-	-	1	4
Materials	3	16	16	350	3	16	14	92
Media	-	-	-	-	-	-	-	-
Pharmaceuticals, Biotechnology & Life Sciences	1	20	-	-	-	-	-	-
Real Estate	2	132	-	-	1	30	-	-
Retailing	1	13	2	6	1	13	2	6
Semiconductors & Semiconductor Equipment	-	-	-	-	-	-	-	-
Software & Services	4	254	6	113	1	12	6	113
Technology Hardware & Equipment	-	-	1	5	-	-	1	5
Telecommunication Services	1	13	1	6	1	13	1	6
Transportation	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-
Total	23	823	39	2,531	13	161	31	312

There was a drop in listings from the Materials sector during the first half of 2019 with only three new listings for the period. All of these held gold projects against the backdrop of positive gold price movements and investor support. The first half of 2019 contrasts strongly with 2018 which saw a total of 35 Materials companies listing on the ASX over the year. However, these listings in 2018 had an average year-end loss of 27%. This performance may have contributed to negative sentiment in the sector.

The Software & Services sector was a solid contributor to new listings for the period comprising four out of the 23 new listings and making up \$254 million (or 31%) of the total funds raised of \$823 million. One of these listings, Splitit Payments Ltd ended the period 215% above listing price, whereas the remaining listings recorded an average loss of 9%.

Interestingly, new IPOs were spread across a broad range of sectors despite the reduced number of new listings. Eleven industry sectors were represented in the 23 new listings of which seven industry sectors contributed multiple listings. The diversification relative to the number of listings was also a feature

of small cap listings with a total of ten different industries represented.

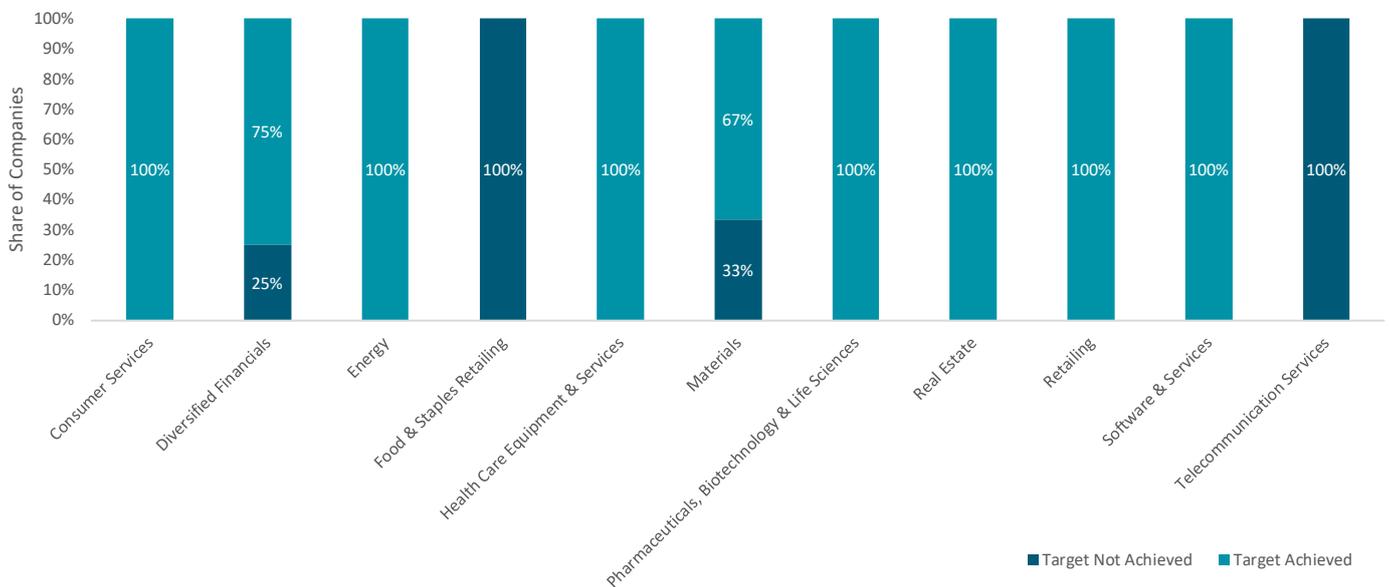
The strongest contributors to total funds raised were listings within the Software & Services and Diversified Financials sectors with \$254 million and \$203 million raised respectively. The Real Estate sector also made a reasonable contribution with \$132 million total funds raised for its two listings

The majority of industry sectors performed well in terms of share price for the period, with ten sectors recording first day gains and ten sectors recording positive gains on average through to June 2019. Of the sectors which contributed three or more listings, Software & Services was the strongest performer with an average gain of 47% to June 2019. Of the remaining industry sectors, Materials recorded an average gain of 3% and Diversified Financials produced an average gain of 32% for the period. The strongest performers in terms of share price included Uniti Wireless Limited (ASX: UWL, 638% gain), Next Science Limited (ASX: NXS, 311% gain) and Splitit Payments Ltd (ASX: SPT, 215% gain).

IPO SUBSCRIPTION RATES

Support underpins new listings

PERCENTAGE OF SUBSCRIPTION TARGET ACHIEVED BY SECTOR



There was a general improvement in IPO subscription rates during the first six months of 2019 compared to the prior corresponding period. A total of 19 new listings (83%) met their subscription targets compared to 74% in the first six months of 2018.

All large cap listings met their subscription target during the period. Three of these large cap listings raised \$100 million or more, being Investec Australia Property Fund, Life360 Inc. and Prospa Group. Investor support for large cap listings also corresponded to share price growth post-listing. On average, listings from the large cap sector made first day gains of 25% and an average gain of 57% by the end of the six-month period.

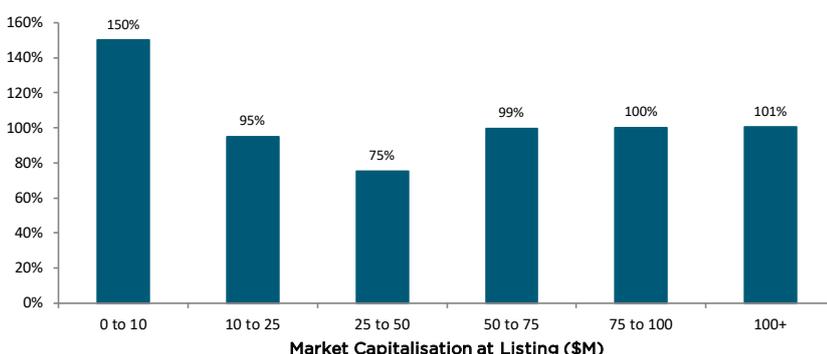
A total of four listings didn't meet their intended targets with each seeking to raise less than \$20 million. Of the companies that didn't meet their subscription targets, three (or 75%) of them recorded a year-end loss. The remaining undersubscribed listing was Uniti Wireless Limited which also experienced

a first day loss of 14%. This trend was reversed by period end with the company recording the highest share price gain of all new listings (ASX: UWL, 638% gain).

Within the small cap sector, the market capitalisation ranges which were able to raise the largest total amount of funds were the \$10-25 million (\$31.6 million raised in total) and \$50-75 million (\$59.6 million raised in total) brackets. All ranges were able to record a first day gain on average, however those listings within the \$10-25 million bracket were the only ones to record an average period end loss of 10%.

There was a substantial increase in the number of offers being underwritten, representing 39% of all new listings (2018: 17%). The proportion of underwritten offers was slightly lower for listings within the small cap sector with only four (or 31%) of the 13 listings being underwritten.

PERCENTAGE OF SUBSCRIPTION TARGET ACHIEVED¹



¹ Based on the funds target being the midpoint of any allotment range (some companies do not have a range). This means actual fundraising can exceed "targeted" fundraising (i.e. oversubscription).

ASX MARKET PERFORMANCE

Strong performance from IPOs and the wider market

HISTORIC PERFORMANCE - ALL ORDINARIES AND IPOs

	All Ordinaries Index ¹	Average First Day Gain/Loss ²	Average Period End Gain/Loss ²
First 6 months 2019	19%	21%	63%
Year-end 2018	-7%	10%	-18%
Year-end 2017	8%	23%	63%
Year-end 2016	7%	16%	39%
Year-end 2015	-1%	9%	23%

¹ Movement in the All Ordinaries Index ("XAO") during the period.

² Average gain/loss for all new IPOs listing in the respective period.

The wider share market has experienced a strong six-month period after a difficult end to 2018. The ASX All Ordinaries Index reached 6,699 at the end of June representing a significant increase from the opening position at 1 January 2019 of 5,626. This represents an overall increase of 19% during the six-month period.

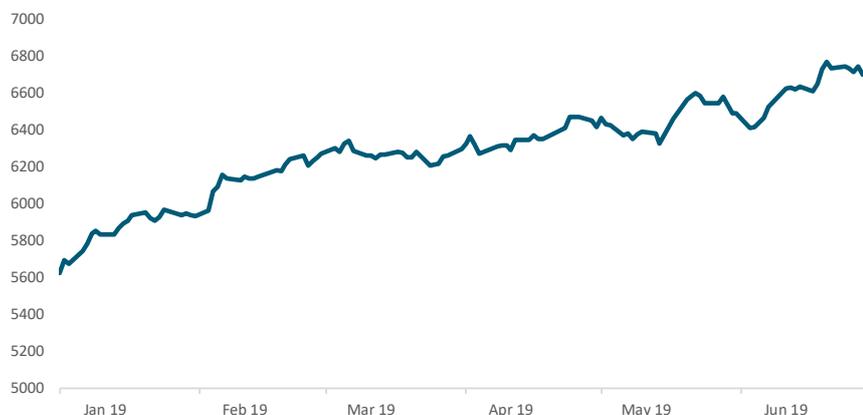
This performance contrasts strongly with the fall in the market during the last six months of 2018 when the market fell to a low of 5,533 in December.

This strong market performance is reflected in the share price performance of the IPOs listed during the period, which recorded an average period end gain of 63%. Whilst the market has rebounded strongly during the period, this has not resulted in an increase in the number of IPOs coming to market thus far.

A strong market performance may potentially be a contributing factor to an increase in the number of IPOs in the second half of this year. However, the pipeline - as at the date of this report - indicates that activity continues to remain subdued. It also remains to be seen how strongly wider macroeconomic factors, in addition to general investor sentiment, may also contribute to a material increase in listing volumes during the remainder of 2019.

The average share price performance of IPOs from listing to period end of 63% is significantly in excess of the wider market gains of 19%. Whilst this result may be influenced by strong individual performers within a small overall number of listings, it represents a return to the trend of IPOs outperforming the market and offering solid first day and period end gains, whereas IPOs, in general, underperformed the market in 2018.

ALL ORDINARIES (SIX-MONTH PRICE HISTORY)



“The average share price performance of IPOs from listing to period end at 63% is significantly in excess of the wider market gains of 19%.”

THE ROAD AHEAD

As of 30 June 2019, seven companies have applied to list on the ASX. Of those seven proposed listings, only one company is seeking to raise over \$15 million.

Six out of the seven companies proposing to list plan to do so in July 2019. These companies are seeking a combined total of \$92 million, which is significantly lower than the proposed listings at December 2018 (17 listings seeking \$179 million). Of this total amount, Sezzle Inc, which is a technology driven payments platform, is looking to raise \$42.9 million (46.7% of the total amount).

The Technology sector has the strongest representation in the proposed listings pipeline, with three listings seeking a total of \$62.4 million. The Materials sector has two proposed listings looking to raise a combined \$9.5 million for a gold project and a potash project. The only proposed listings which are not reflected in these sectors are Australian Nutrition & Sports Limited (develops, sources and markets consumer food and nutrition products) and Invex Therapeutics Limited (a biotechnology company).

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HLB Mann Judd firms offer a comprehensive range of professional services to listed clients and companies pursuing an IPO. In addition to acting as corporate advisers, investigating accountants, and tax and accounting advisers, we have extensive experience in assisting clients in their preparation for an IPO and in evaluating the benefits and feasibility of an IPO against alternative strategic options.

Our assistance to companies pursuing an IPO typically includes:

- Investigating accountant's reports on historical and forecast financial information
- Independent expert's reports
- Analysis and advice on feasibility and alternatives to an IPO
- Pre-IPO diagnostic review
- Corporate and structuring advice
- Financial and taxation due diligence
- Valuations
- Company and shareholder tax advice and planning
- Accounting advice.



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