



# Initial Public Offerings

Australian Mid-market Activity  
Q2, 2018 Financial Year





# Introduction

## We are happy to present our quarterly review of the mid-market IPOs on the ASX.

The focus of the analysis is on the current quarter and the immediately preceding 12 months with the aim of providing you with an overview of the current mid-market IPO activity.

In our analysis we have looked at IPOs that had an enterprise value of less than \$200m at the time of listing. We have also provided some further detail on the cost of IPOs broken down by market capitalisation and the performance of IPOs occurring in the last twelve months by significant sectors.

### Key highlights are:

- There were 28 IPOs for mid-market companies in the quarter, the highest since the same period last year.
- The mining sector was the most active in the quarter recording 10 IPOs in the quarter.
- The second most active sectors were the information technology, Healthcare and Industrials sectors, which each recorded 4 IPOs in the quarter.
- Mid-market companies raised \$331m on the ASX in the quarter
- The average IPO fundraising was \$11.8m, which is a 4% increase on the previous quarter, and an 8% increase on the 12-months average.
- On average, transaction costs (excluding brokerage fees) decreased by 20.6% to \$186k.



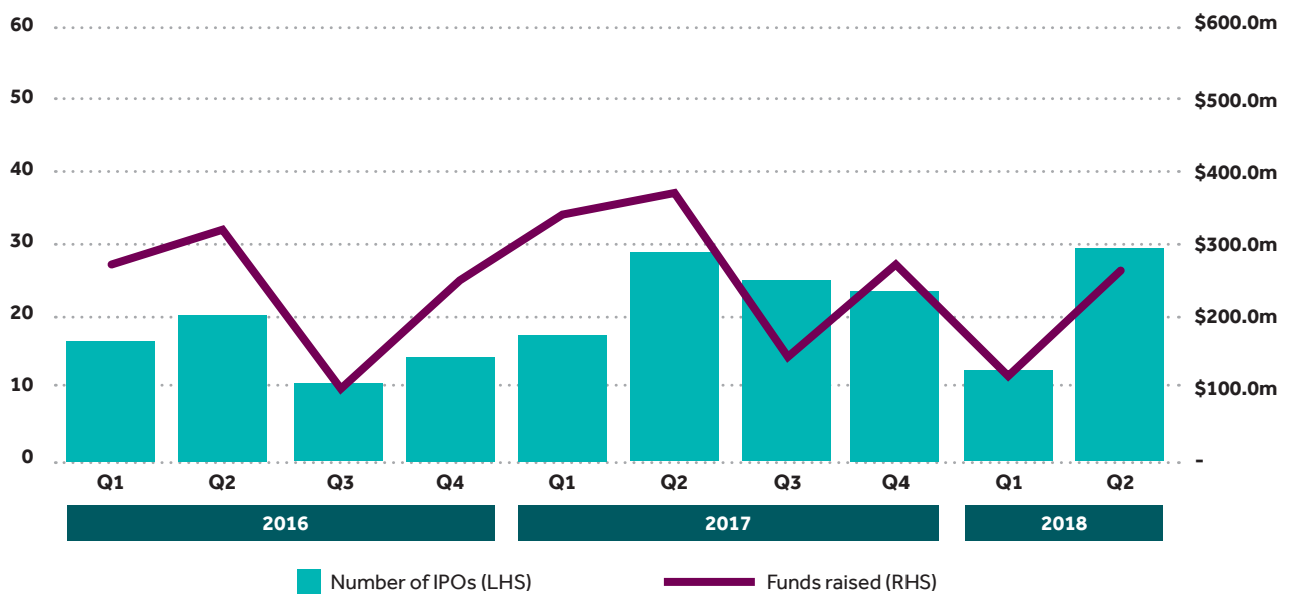
# Overview

**There were 28 IPOs in the mid-market this quarter, a 115% increase from last quarter, although consistent with the peak in activity seen in the same period last year.**

Total funds raised for the quarter was \$331m, which is a 124% increase from last quarter and a 26% decrease from the same period last year. The average funds raised per transaction this quarter was increased 4% from \$11.3m last quarter to \$11.8m. This represents an 8% increase on the 12-month average.

The average enterprise value at IPO in the quarter was \$39m which was up 3% from last quarter and down 27% from the same quarter last year.

## Number of IPOs and funds raised by quarter



Source: S&P Capital IQ and Nexia analysis



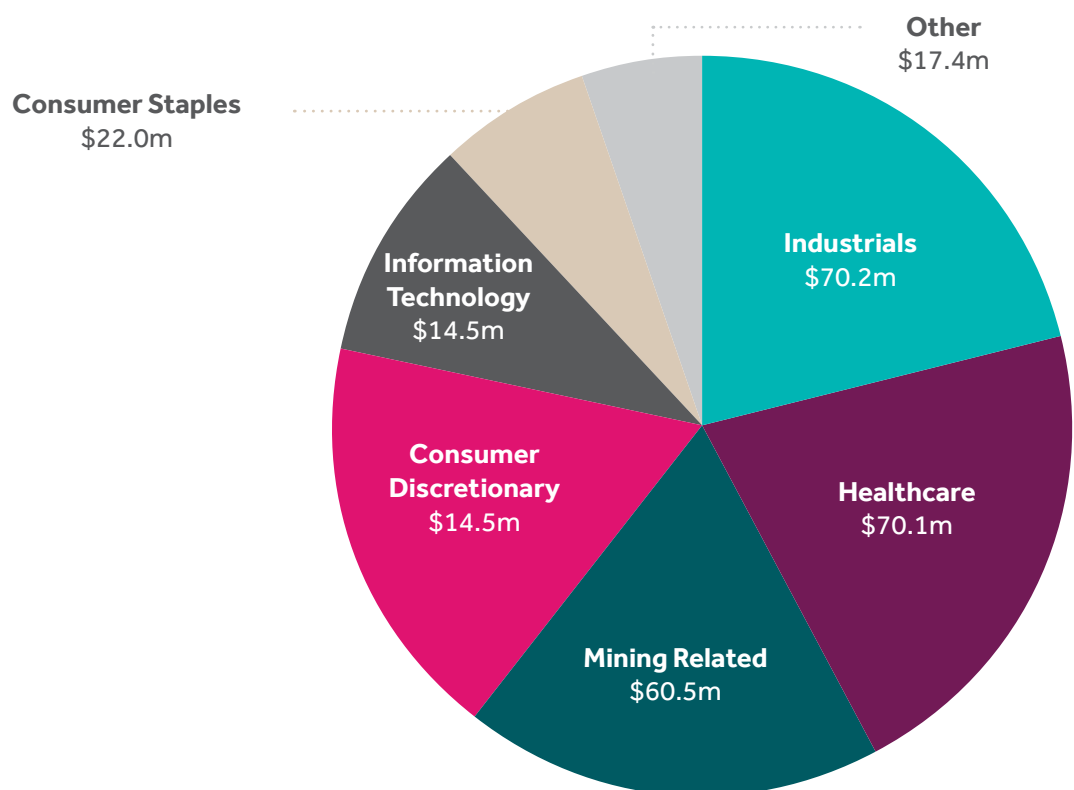


## Quarterly Activity

Of the 28 IPOs in the quarter, Mining Related was again the most active sector, with 8 IPO's recorded. Information Technology, Healthcare and Industrials were the second most active sector with 4 IPOs each completed this quarter.

Of the \$331m raised during the quarter, Industrials and Healthcare recorded the highest value of funds raised, raising \$70.2m and \$70.1m respectively. This accounted for 42% of the total funds raised during the quarter. Telix Pharmaceuticals Limited in the Healthcare sector was the largest IPO in the mid-market for the quarter, raising \$50m.

**The following funds were raised by sector in the quarter:**





Company Name	Industry Sector	Industry	Industry Primary	Gross Proceeds	EV IPO
Telix Pharmaceuticals Limited	Healthcare	Biotechnology	Biological products except diagnostic	50,100,000	142,200,000
People Infrastructure Ltd	Industrials	Professional Services	Employment agencies	25,000,000	131,000,000
National Tyre & Wheel Limited	Consumer Discretionary	Distributors	Motor vehicles and motor vehicle parts and supplies - wholesale	59,000,000	129,500,000
P2P Transport Limited	Industrials	Road and Rail	Local and suburban transit and interurban highway passenger transportation	29,200,000	105,300,000
IXUP Limited	Information Technology	Internet Software and Services	Computer programming, data processing, and other computer related services	12,500,000	71,500,000
engage:BDR Limited	Information Technology	Internet Software and Services	Advertising	10,000,000	66,000,000
State Gas Limited	Energy	Oil, Gas and Consumable Fuels	Crude petroleum and natural gas	5,300,000	46,700,000
Ocean Grown Abalone Limited	Consumer Staples	Food Products	Miscellaneous food preparations and kindred products	10,000,000	40,900,000
Rhythm Biosciences Limited	Healthcare	Healthcare Providers and Services	Diagnostic substances	9,000,000	30,500,000
Bojun Agriculture Holdings Limited	Consumer Staples	Food Products	Grain mill products	12,000,000	29,700,000
The GO2 People Limited	Industrials	Professional Services		10,000,000	26,500,000
CommsChoice Group Limited	Information Technology	IT Services	Computer programming, data processing, and other computer related services	7,500,000	26,400,000
Nanollose Limited	Healthcare	Biotechnology	Biological products except diagnostic	5,000,000	26,300,000
Bio-Gene Technology Limited	Mining Related	Chemicals	Agricultural chemicals	7,100,000	22,200,000
Parkd Ltd	Industrials	Commercial Services and Supplies	Automotive repair, services, and parking	6,000,000	19,200,000
AIC Resources Limited	Mining Related	Metals and Mining	Gold and silver ores	10,000,000	18,000,000
Riversgold Ltd	Mining Related	Metals and Mining	Gold and silver ores	6,100,000	18,000,000
Cape Range Limited	Telecommunication Services	Diversified Telecommunication Services	Radiotelephone communications	6,000,000	17,800,000
Cannpal Animal Therapeutics Limited	Healthcare	Pharmaceuticals	Pharmaceutical preparations	6,000,000	15,900,000
Registry Direct Limited	Information Technology	Internet Software and Services	Computer programming, data processing, and other computer related services	2,000,000	15,000,000
Bryah Resources Limited	Mining Related	Metals and Mining	Metal mining	5,000,000	12,600,000
Tando Resources Limited	Mining Related	Metals and Mining	Metal mining	4,500,000	12,400,000
5G Networks Limited	Telecommunication Services	Diversified Telecommunication Services	Telephone communications, except radio	4,000,000	11,600,000
Lustrum Minerals Limited	Energy	Oil, Gas and Consumable Fuels	Bituminous coal and lignite mining	5,000,000	9,800,000
Nelson Resources Limited	Mining Related	Metals and Mining	Gold and silver ores	5,000,000	8,400,000
TNT Mines Limited	Mining Related	Metals and Mining	Metal mining	5,500,000	8,300,000
SelfWealth Limited	Financials	Capital Markets	Security brokers and dealers	7,300,000	7,900,000
Carawine Resources Limited	Mining Related	Metals and Mining	Metal mining	7,000,000	7,000,000

Source: S&P Capital IQ and Nexia analysis



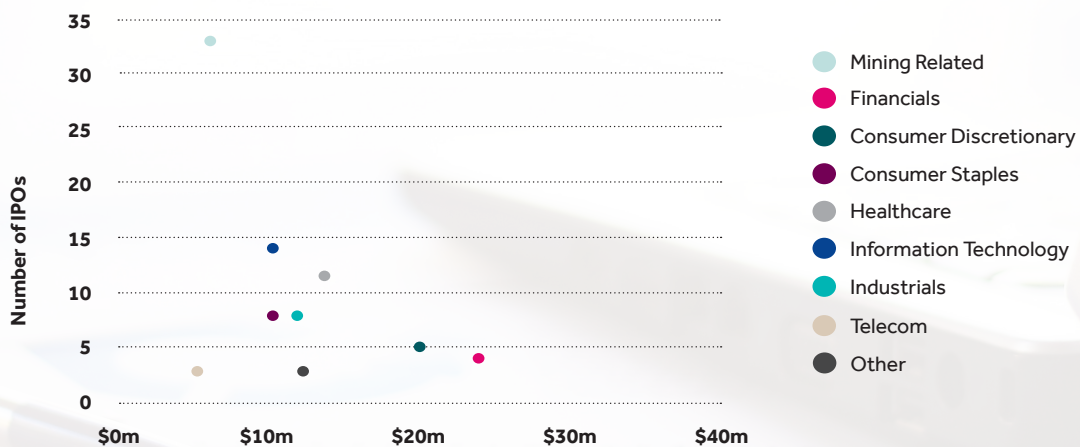
## Sectors

We have analysed the number of IPOs and average fund raising per sector over the last 12 months, in order to better understand the activity in each sector.

Although the Mining Related sector was the most active sector over the last 12 months, with 31 transactions, the average funds raised is the second lowest of all sectors at only \$6.7m per transaction.

Information Technology has also experienced strong activity with 14 transactions completed over the last 12 months, raising an average of \$10.3m per transaction. The sector with the highest average gross proceeds raised is the Utilities sector, raising an average of \$27m with only 2 transactions.

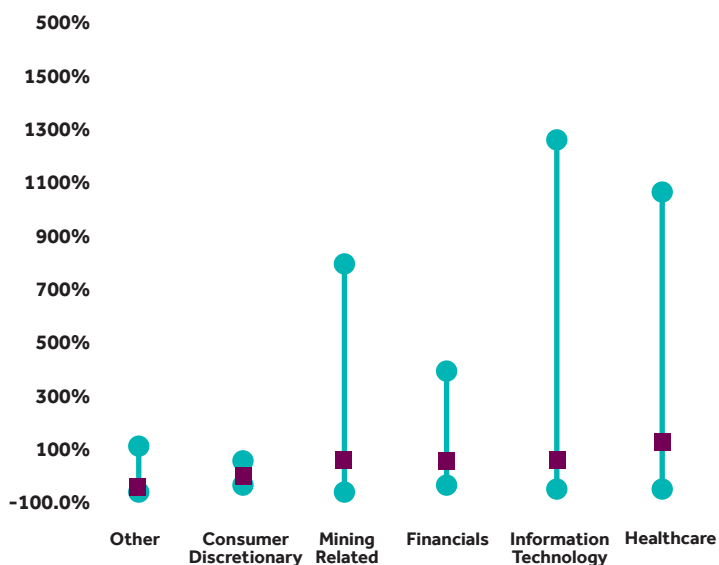
### Number and average fundraising by sector (last 12 months)



Source: S&P Capital IQ and Nexia analysis

## Performance over the last 12 months

### Movement in market capital since IPO by industry (Past 12 months IPOs: low, high and average)



The spread in market capitalisation is quite wide across all industries for mid-market IPOs in the last year. The Utilities sector, which is captured within Other in the graph opposite, was the least volatile with only 2 IPOs completed in the last 12 months, followed by the Energy sector (within Mining Related in the graph opposite), which had a spread of only 26.9%. Mining Related and Consumer Staples were the most volatile sectors, with a spread of returns of 1331% and 1150% respectively.

Consumer Staples related IPOs were the best performing over the last 12 months with an average return of 122.3%. The average return however is significantly influenced by Wattle Health Australia Ltd that has had its market capitalisation increase by 1108% from \$24m on listing to \$277m at 31 December 2017.

The Real Estate sector was the worst performing sector with a decrease in average market capitalisation from IPO date of 61.5%. However, this only represents the performance of Veolcity Property Group Ltd as the only IPO within the sector over the last 12 months.

Source: S&P Capital IQ and Nexia analysis



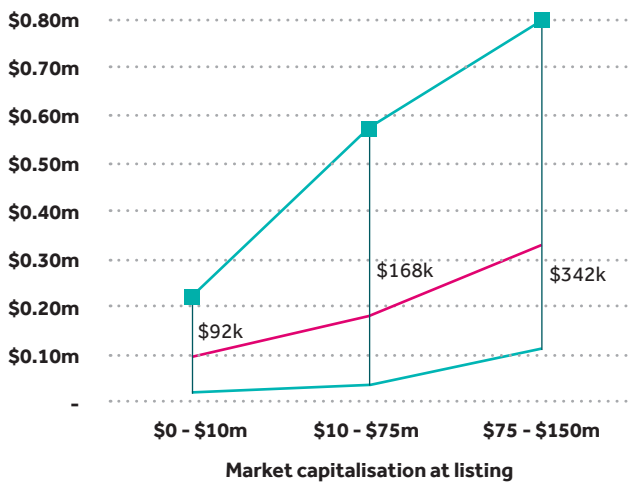
# Costs

**Certain costs in undertaking an IPO, being accounting and legal costs, are typically fixed regardless of the outcome. Fundraising costs, on the other hand, are generally paid on successful completion of the IPO and represent a percentage of proceeds raised. Accordingly, fundraising costs have been excluded from our analysis.**

A number of factors will impact the costs incurred, including how prepared the company is for the IPO, the complexity of its business and whether there are any related transactions. Over the last year, the fixed costs for an IPO have averaged \$186k compared to \$234k for the corresponding 12-month period in the prior year.

There were no transactions with a market cap at listing of greater than \$150m in the mid-market.

## Transaction costs by market capital size



Source: S&P Capital IQ and Nexia analysis

## Methodology

The analysis was prepared based on data sourced from S&P Capital IQ. Data analysed is for completed IPOs on the ASX, from 1 January 2016 to 31 December 2017, with an implied enterprise value of less than \$200m. If no implied enterprise value was disclosed at the IPO filing date, transactions were adjusted to be the first enterprise value disclosed within the preceding 90 days. In the 17 occurrences where no enterprise value was disclosed during this period, it was calculated by adding total debt at the filing date to the number of shares offered multiplied by the offer price. Of the 17 occurrences that were manually adjusted there were 12 instances where the value was not within 25% of the market capitalisation at the IPO date.

Of the 161 transactions analysed for transaction costs there was sufficient data for 17% of the transactions to calculate the average accounting fees per transaction and there was sufficient data for 63% of the transactions to calculate the average legal fees per transaction.

## About Nexia

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Nexia Australia services clients from small to medium enterprises, large private company groups, not-for-profit entities, subsidiaries of international companies, publicly listed companies and high net worth individuals and includes market leaders in many sectors of Australian business.

With over 75 partners and more than 600 staff, Nexia Australia has grown into one of Australia's leading chartered accountancy firms with offices in Adelaide, Brisbane, Canberra, Darwin, Melbourne, Perth, Sydney and New Zealand (Christchurch).

We offer a comprehensive range of services in the areas of Audit & Assurance, Business Advisory, Corporate Advisory, Family Office, Finance & Lending Services, Financial Services, Forensic Accounting, Management Consulting, Superannuation Solutions, Taxation Consulting.

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## Contact us

For further information or to discuss how Nexia Australia can assist your organisation, please contact a local Nexia Advisor below.



### Adelaide Office

#### Hugh McPharlin

Level 3, 153 Flinders Street Adelaide SA 5000  
GPO Box 2163, Adelaide SA 5001  
p +61 8 8139 1111, f +61 8 8139 1100  
hmcpharlin@nexiaem.com.au  
www.nexiaem.com.au

### Brisbane Office

#### Ken Robertson

Level 28, 10 Eagle Street Brisbane QLD 4000  
GPO Box 1189 Brisbane QLD 4001  
p +61 7 3229 2022, f +61 7 3229 3277  
krobertson@nexiabrisbane.com.au,  
www.nexia.com.au

### Brisbane South Office

#### Malcolm Mathews

1187 Logan Road, Holland Park QLD 4121  
PO Box 63, Mt Gravatt, QLD 4122  
p +61 7 3343 6333, f +61 7 3849 8598  
mmathews@nexiabrisbane.com.au  
www.nexia.com.au

### Canberra Office

#### Billy Kang

Level 7, St George Centre, 60 Marcus Clarke Street  
GPO Box 500, Canberra ACT 2601  
p +61 2 6279 5400, f +61 2 6279 5444  
bkang@nexiacanberra.com.au  
www.nexia.com.au

### Darwin Office

#### Noel Clifford

Level 2, 62 Cavenagh Street Darwin NT 0800  
GPO Box 3770, Darwin NT 0801  
p +61 8 8981 5585, f +61 8 8981 5586  
nclifford@nexiaem.com.au  
www.nexiaemnt.com.au

### Melbourne Office

#### Vito Interlandi

Level 12, 31 Queen Street  
Melbourne VIC 3000  
p +61 3 8613 8888, f +61 3 8613 8800  
vinterlandi@nexiamelbourne.com.au  
www.nexia.com.au

### Perth Office

#### Mal Di Giulio

Level 3, 88 William Street, Perth WA 6000  
GPO Box 2570, Perth WA 6001  
p +61 8 9463 2463, f +61 8 9463 2499  
mal.digiulio@nexiaperth.com.au  
www.nexia.com.au

### Sydney Office

#### Brent Goldman

Level 16, 1 Market Street, Sydney NSW 2000  
PO Box H195, Australia Square, NSW 1215  
p +61 2 9251 4600, f +61 2 9251 7138  
bgoldman@nexiasydney.com.au  
www.nexia.com.au

### New Zealand Office

#### Craig Melhuish

Level 4, 123 Victoria Street, Christchurch  
PO Box 4160, Christchurch  
p +64 3 379 0829, f +64 3 366 7144  
cmelhuish@nexiachch.co.nz  
www.nexiachch.co.nz