



2018 AUSTRALIAN IPO REVIEW: 2019 PREDICTIONS

16 April 2019 | Australia

Legal Briefings - By **Michael Ziegelaar and Tim McEwen**

IMPACT OF BREXIT, FEDERAL ELECTION AND CHINA ON THE MARKETS

In last year's edition we had almost the same heading. This year we have replaced the US election with our federal election as a key influence on the markets in the first half of CY2019. Brexit's uncertainty continues, in fact it is likely to have a greater dampening impact on markets than last year up to and past 29 March, as there is no obvious end in sight. The ongoing trade tensions between the US and China are testing the global markets. The ongoing consequences of the US election continue to be felt in the markets with concern about what else may be to come both at a political level and the impact on the US economy.

CONFIDENCE BREEDS CONFIDENCE - BE READY

In our view, 2019 is shaping as a classic IPO year where the IPOs occur in the second half, after some of the first half volatility has abated. Some IPOs will still try to time the market perfectly, however that will be challenging, particularly in the first half. Ultimately the issuers and investors may need to accept that these transactions will have to be undertaken in volatile markets and each have a greater focus on the long term rather than the short.

The market may be keen for opportunities to invest in sound and sustainable businesses, and we expect that such businesses will be able to get their IPOs done. Issuers, lead managers and investors will need to be flexible and ready for the windows in the IPO market that will inevitably open. Once the window cracks open, we expect it will open properly for a solid end to the IPO year.

THE GLOBAL IPO NARRATIVE IS TECHNOLOGY

The global predictions for large IPOs are technology related with Uber, Lyft, Zoom, Slack, Palantir and Cloudflare all subject of speculation.

With the Australian technology market continuing to grow and investors becoming more sophisticated, this may be a year where investors are prepared to look closely at Australian technology IPOs and provide opportunities for some home grown talent on the ASX.

TOUGHER REGULATORS

ASIC and ASX have both foreshadowed a tougher regulatory stance in 2019, in particular ASIC. ASIC's response to the Banking Royal Commission will play out for existing financial services companies and any financial services companies proposing to IPO in 2019 with an intense focus on appropriate disclosure.

We expect that ASIC's regulatory stance generally will harden, including in relation to IPOs and capital raisings. As noted in [2018 Australian IPO Review: regulatory developments](#), ASIC has already flexed its regulatory muscle with an increase in interim stop orders and extensions of exposure periods in the first half of 2018. ASIC will continue to be under pressure to be seen as a tough and more pre-emptive regulator.

ASX is seeking amendments to the Listing Rules to enhance its powers to monitor and enforce its rules. This includes a power to formally censure companies that breach the Listing Rules or other conditions or requirements of the ASX. This is a power which most major exchanges, including the LSE, HKSE, SGX and JSE, already have. From an IPO perspective, ASX has already made it clear that listing is at its absolute discretion.

Quality IPOs will successfully navigate tougher regulatory scrutiny and we agree that a tough, albeit sophisticated, regulator is critical for the confidence of markets and investors. As such, IPO issuers and advisers should plan for, and pre-emptively address, key regulatory concerns.

GLOBALISATION OF REGULATION

If there was any doubt about the increasing global nature of regulation and the global themes of regulators, 2018 demonstrated that ASIC's areas of focus, such as allocations in equity raisings in REP605, are areas of global interest with REP605 appending information about approaches taken by IOSCO, FINRA in the US, the FCA in the UK, the European Union with MiFIDII, HKSE and SGX. The ACCC's allegations that cartel conduct had taken place following an ANZ institutional share placement has also gained worldwide attention and MiFIDII has had a global impact on financial research. As the financial markets continue to truly globalise, 2019 is likely to see further regulatory globalisation.

[Please click here to return to the main page](#)

KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



**MICHAEL
ZIEGELAAR**

PARTNER,
MELBOURNE

+61 3 9288 1422

Michael.Ziegelaar@hsf.com



TIM MCEWEN

PARTNER,
MELBOURNE

+61 3 9288 1549

Tim.McEwen@hsf.com

LEGAL NOTICE

The contents of this publication are for reference purposes only and may not be current as at the date of accessing this publication. They do not constitute legal advice and should not be relied upon as such. Specific legal advice about your specific circumstances should always be sought separately before taking any action based on this publication.

© Herbert Smith Freehills 2022

SUBSCRIBE TO STAY UP-TO-DATE WITH INSIGHTS, LEGAL UPDATES, EVENTS, AND MORE

Close

© HERBERT SMITH FREEHILLS LLP 2022