

# 2020 AUSTRALIAN IPO REVIEW: 2021 PREDICTIONS

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Guides - By **Michael Ziegelaar and Tim McEwen**

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## THE IPO PIPELINE IS STRONG

IPO advisors have not seen such a full IPO pipeline for a while. Covid-19 related concerns have dissipated given how Australia has dealt with the pandemic and investor demand remains strong. The expected positive FY21 half-year reporting season will only add to the confidence in the IPO market. The spate of capital raisings that occurred in the second half of 2020 is expected to continue into 2021.

## A TALE OF TWO NARRATIVES

The IPO narrative will generally be one of two - either that financial performance which has been boosted by Covid-19 will continue unabated once things stabilise post Covid-19 versus that financial performance which has been adversely affected by Covid-19 will recover to at least pre- Covid-19 levels. We suspect that, based on what we have seen in the last few months, the market will find the former narrative more compelling than the latter.

## NEW ECONOMY IPOS WILL CONTINUE AT PACE

Covid-19 has accelerated the speed at which businesses in new economy industries have been able to IPO. These industries include tele-health, technology and e-commerce. This is on the expectation that these industries will benefit from an acceleration or permanent change in "the way we do things" as a result of Covid-19. This positivity in new economy IPOs is expected to continue.

## CERTAIN OLD ECONOMY IPOS WILL MAKE A COMEBACK

Given the confidence in the Australian economy and the IPO market, changes in consumer spending habits (forced especially by a lack of international holiday expenditure) as well as low interest rates, we expect IPOs in old economy industries that have Covid-19 proofed their business models such as those in retail, financial services and property (including healthcare and industrial assets) will make a comeback, especially where those businesses have a history of consistent yields which are attractive given current low interest rates.

## **MORE PE EXITS WILL HIT THE BOARDS**

These attractive IPO conditions will facilitate PE exits in a range of industries, so expect to see more PE exits.

## **MORE OVERSEAS BUSINESSES WILL LOOK TO LIST ON ASX**

We expect more overseas businesses to consider listing on the ASX, especially given the stable economic climate in Australia and the way Australia has dealt with Covid-19.

## **PRE-IPO ROUNDS AND CORNERSTONING WILL CONTINUE TO BE POPULAR BUT DUAL TRACKS WON'T INCREASE**

As Covid-19 has accelerated the ability of smaller/mid-sized businesses to IPO, we expect that pre-IPO rounds will remain popular and will finance businesses in the lead up to IPO. These pre-IPO rounds should continue to occur at a discount of 20% to 25% to the IPO price.

To avoid market volatility impacting the success of the IPO, we expect underwriters to continue to look to create confidence in IPOs by securing cornerstone investors prior to marketing the IPO.

Given the strength of the IPO market, we don't expect to see a marked increase in dual track processes.

## **COVID-19 RELATED IMPACTS ON BUSINESSES ARE BECOMING MANAGEABLE**

Issuers and regulators are becoming more comfortable with the Covid-19 related impacts on businesses and prospectuses, including related forecasts. So while you will need to continue to think about appropriate Covid-19 related prospectus disclosures and discuss them with the regulators, the form of those prospectus disclosures and the nature of the discussions with the regulators are becoming more settled.

# TIMELY REGULATORY CONSULTATION WILL BE IMPORTANT TO THE SUCCESS OF AN IPO

We expect the regulators to be inundated with prospectuses in 2021. It will be important to provide sufficient time in the IPO timetable for regulatory consultation especially if you wish to rely on the ASX fast track process or there is a prospectus disclosure issue which requires regulatory consultation.

## WHAT COULD STOP THE MUSIC?

Concerns about Covid-19 economic policies not being effective, economic 'bumps' as relief like JobKeeper and bank and lessor payment holidays are wound back, inflation surprising on the upside or concerns about the efficacy of the vaccines (including because of the virus mutating) may impact confidence in the IPO market.

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## KEY CONTACTS

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



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