

FROM FLOATING TO SURFING: THE 2016 AUSTRALIAN IPO REVIEW

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Guides

Herbert Smith Freehills is pleased to announce the publication of its inaugural Australian IPO Review.

The publication covers:

- the key themes of 2016;
- IPO activity across the Australian market;
- Australian regulatory developments;
- key US securities developments; and
- predictions for 2017.

Some of the key themes we saw in 2016 include:

TURBULENT TIMES - VOLATILE MARKETS

The results of Britain's vote on whether or not to leave the European Union and the US presidential election were a surprise to many in the investing universe. The outcome of the incorrect forecasting was felt in sharp, although transient, market corrections both in Australia and overseas. The year was also punctuated by other events which created market uncertainty, such as the 2016 Australian federal election.

All of this combined to create challenges for raising capital and pursuing new listings in 2016.

INVESTORS IN SEARCH OF GROWTH

Despite the turbulence, the persistence of near zero interest rates and low growth globally has had many investors searching for higher returns. This has been good news for capital markets and is reflected in the over one hundred new listings on ASX in 2016, which is on par with previous years.

ACTIVE REGULATORS

ASX implemented significant regulatory reform in 2016 through changes to the ASX admission requirements and it will be interesting to see what impact this has on IPOs in 2017.

ASIC published a number of reports resulting from market surveillance activities and other reviews and made a number of recommendations which are being absorbed by the market.

NO THEME AT ALL?

In a post resources boom era it is trite to say that Australia must turn its focus to sectors other than the resources industry. However, our report indicates that this is already the case – a wide spread of industries were represented at all levels of the market in 2016 (and indeed it now also seems possible that the resources sector may experience a comeback, at least at the smaller end, with recovering commodity prices).

BACK DOOR LISTINGS

The story not told in the IPO data is the prevalence of so called back door listings in 2016 conducted via reverse takeover of an already listed company.

RETURN OF THE DUAL TRACK

Another theme of 2016 was the success of dual track processes, in some cases carried right to the end of the sale process.

LOOKING FORWARD

The following predictions outline what we can expect from Australia's capital markets in 2017:

- IPO activity is expected to kick off in the first half of 2017 after a slowdown in late 2016.
- In China, sector-led growth and central government policies to curb slow economic growth is expected to encourage IPO activity in the Asia Pacific.
- On the flip side, Britain's exit from the European Union and uncertainty around the new US administration's policies may contribute to a volatile environment for capital raising in 2017.

- ASIC is expected to continue its proactive approach to investigating and consulting on issues relating to IPOs.
- IPOs in technology, diversified financials, healthcare, manufacturing, consumer discretionary, agriculture and food and beverage, as well as corporate divestments are likely to be the main sources of large IPOs in 2017.

If you have any questions in relation to Australian IPOs please contact our ECM team.

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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