

AUSTRALIAN IPOS DEFY EARLY EXPECTATIONS TO ACHIEVE RECORD END TO 2020

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News

The outlook for Australian IPO activity in 2021 is promising following a spate of listings on the ASX in the second half of 2020, according to a new report by global law firm Herbert Smith Freehills.

The firm's *2020 Australian IPO Review — A Tale of Two Halves* — covers the key IPO themes and activity from across the Australian market from the last year, and predicts the trends expected in 2021.

The report found that the total market capitalisation of entities listed on the ASX in 2020 was around A\$13 billion, which exceeded the value of listings in 2019 by over a billion Australian dollars, and there were 15 more listings than the previous year.

With almost all of the year's IPOs completed after June, there were more than five times as many IPOs in the second half of 2020 than in the first half of 2020.

Herbert Smith Freehills partner and Joint Global Head of Capital Markets [Philippa Stone](#) said, "Market conditions in 2020 were initially challenging for IPO candidates, starting with the onset of the Covid-19 pandemic and a market crash in February, followed by ongoing global trade tensions, and later the US presidential election. Unsurprisingly, the volume of capital raised from IPOs in Australia in the first half of 2020 was at its lowest in four years.

"But the landscape for IPOs did not turn out to be nearly as dire as predicted at the start of the pandemic. In fact, the Australian IPO market demonstrated its resilience and ability to rebound quickly, as witnessed in the strong upturn of activity in the second half of 2020. Record low interest rates made equity relatively attractive, and some IPO businesses actually benefited from Covid-19 effects, while others were simply good businesses with impressive earnings that would have floated well in any conditions."

2020's second half listings included IPOs for flagship assets like Dalrymple Bay Infrastructure, which listed with a market capitalisation of A\$1.286 billion, and businesses responding to the demands of the modern world such as investigative analytics and intelligence software provider, Nuix, which listed with a market capitalisation of A\$1.685 billion.

Herbert Smith Freehills partner [Nicole Pedler](#) said, "The sectors with the most listings in 2020 were the materials sector followed by healthcare. The number of IPOs in the healthcare sector grew in 2020 by approximately 70% compared to the previous year.

"The healthcare sector listings included businesses focussed on R&D, equipment and health tech solutions such as respiratory protection equipment designer and manufacturer Cleanspace Holdings and virtual GP service Doctor Care Anywhere, which arguably reflects the accelerated growth, interest and demand in this sector in response to Covid-19.

"The third sector by number was IT. However, the sector distinctions obscure the fact that outside of mining and exploration entities, about half of the IPOs in 2020 had a strong technology story."

The report forecasts that the flurry of IPOs that started in second half of 2020 is expected to continue into 2021.

[Michael Ziegelaar](#), Herbert Smith Freehills partner and Co-Head of Australian Equity Capital Markets, said, "We have not seen such a full IPO pipeline for a while. In fact, we expect that regulators will be inundated with prospectuses in 2021.

"We also anticipate that more overseas businesses will consider listing on the ASX, and that we will see more private equity exits as a result of Australia's attractive IPO conditions.

"Australia's economic stability, current low interest rates, investor optimism based on the global vaccine roll-out and the positive FY21 half-year reporting season will only add to the confidence in the IPO market."

The Herbert Smith Freehills report also found that the unprecedented circumstances of 2020 exposed a number of inefficiencies within traditional IPO processes, accelerating the market's adoption and integration of technology as the 'new normal'.

Herbert Smith Freehills partner [Philip Hart](#) explained, "Strict travel restrictions led to the majority of IPO roadshows being conducted virtually, but this brought efficiencies through the benefit of reduced time and cost constraints, allowing IPO issuers to reach a wider pool of potential investors in the right markets. The shorter timeframe in which a virtual roadshow can be conducted also serves to potentially reduce the issuer's exposure to market volatility.

"While it's unlikely that roadshows will be entirely digital in the future, we expect the 'new normal' to be a hybrid approach, tailored to suit the needs and circumstances of the individual IPO issuer."

Herbert Smith Freehills predicts that a diverse range of industries could benefit from the renewed vigour of the IPO market.

Herbert Smith Freehills partner [Tim McEwen](#) said, “We expect that new economy IPOs such as those in tele-health, technology and e-commerce will continue at pace. Covid-19 has accelerated the speed at which businesses in new economy industries have been able to IPO and these industries will benefit from an acceleration or permanent change in the way we do things as a result of Covid-19.

“Old economy industries won’t be left out. Those that have Covid-19 proofed their business models such as those in retail, financial services and property will make a comeback, especially where they have a history of consistent yields, which are attractive given current low interest rates.

“2021 won’t be without challenges for the world’s markets. Concerns about global Covid-19 economic policies, inflation surprising on the upside, or concerns about the efficacy of Covid-19 vaccines may impact issuer and investor confidence. However, Australia’s stable economic climate, changes in consumer spending habits and low interest rates bode extremely well for a strong year of IPO activity ahead.”

Herbert Smith Freehills acted on many of 2020’s most significant IPOs including advising:

- Dalrymple Bay Infrastructure Limited on its A\$1.286 billion IPO and listing with a market capitalisation of A\$1.286 billion;
- Silk Laser Australia Limited on its A\$83.5 million IPO and listing with a market capitalisation of A\$162.5 million;
- thedocyard Limited, now named Ansarada Group Limited, on its merger with Ansarada NewCo Pty Limited, together with its A\$45 million capital raising and backdoor listing with a market capitalisation of A\$131.3 million;
- Booktopia Group Limited on its A\$43.1 million IPO and listing with a market capitalisation of A\$315.8 million;
- Dusk Group Limited on its A\$70 million IPO and listing with a market capitalisation of A\$124.5 million; and
- TopShelf International Holdings Limited on its A\$47.2 million IPO and listing with a market capitalisation of A\$109.9 million.

For more information or a copy of the report, please visit <https://www.herbertsmithfreehills.com/latest-thinking/a-tale-of-two-halves-the-2020-australian-ipo-review>

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