

AUSTRALIAN IPO REVIEW 2021: 2022 PREDICTIONS

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

CAPITAL MARKETS WILL BE VERY BUSY

Unless deteriorating global economic and strategic conditions overtake us, we expect that the 2022 capital markets will continue to be very busy as a result of both the IPO market and capital raising driven by M&A. There is a level of pent up demand from issuers to undertake their IPOs and from established listed companies who see a conducive economic and M&A environment where M&A can be supported by raising equity. Of course, markets can change in an instant and market participants are keenly monitoring the current events in Eastern Europe.

BEAT THE FATIGUE

For IPOs we consider that issuers should be looking at trying to beat the last quarter rush and investor fatigue. Approximately 33% of 2021's IPOs occurred in the December quarter with more than 60% of 2021's IPOs listing in the second half of the calendar year. It was during the last quarter of 2021 that a number of IPOs were withdrawn and / or repriced with an anecdotal position of investor fatigue impacting those outcomes. We felt that last quarter investor fatigue was triggered earlier in 2021 as compared to 2020. We consider that there will be a real advantage to IPO candidates that are able to avoid the end of year rush.

ASX WILL BE BUSY TOO

Another very real advantage of avoiding the end of year rush will be the ability to work more productively with the ASX listing team. The ability to run a smooth IPO process and meet the timetable will be enhanced by managing the listing process with ASX proactively and with sufficient time for ASX to be able to perform its role.

THE PRE-IPO ROUNDS WILL CONTINUE

As we [predicted for 2021](#), pre-IPO rounds were an important part of the capital markets. We expect that trend to continue. These rounds provide IPO candidates with the opportunity to continue to grow and operate their business before an IPO, provide investors with an opportunity to develop their relationship with the company and ideally culminate in a successful IPO of a company that is ready to list.

CORNERSTONE INVESTORS AND FRONT-END PRICING

The vast majority of 2021's IPOs were structured as a front-end bookbuild and many with a level of cornerstone investment, both of which were designed to provide some momentum to the offer and transaction certainty for the issuer. However, such structures do create some concerns for investors who need to wait three to four weeks for listing and liquidity. If markets are more settled in 2022 (which would be a nice outcome given the start to the year), there may be a greater opportunity for back-end pricing on larger IPOs after a full marketing period with a prospectus in the market.

DISCLOSURE IN RELATION TO CLIMATE CHANGE AND ESG

As ASIC noted in December 2021, it will focus on prospectus disclosure in relation to climate change, "net zero" emissions and ESG and the potential for such disclosure to be misleading or deceptive conduct where there is not real substance and a plan in relation to the promoted outcomes.

Further, we expect that investors, particularly larger institutional investors and superannuation investors, will have a real focus on the disclosure of these issues. We expect that IPO candidates will need to provide more detailed information about their approaches to these issues.

COVID-19 - THE NEW NORMAL DISCLOSURE

After two years of Covid-19 impacts, we expect that investors will want more sophisticated disclosure from IPO candidates about the potential impacts on the business, both positive and negative, that may result from Covid-19. These are issues that companies have been grappling with for some time now and while there will always be a level of uncertainty associated with the future, clear communication of the potential Covid-19 impacts on finances and operations will be expected. ASIC and ASX will also likely expect clearer disclosure on these issues, in ASIC's case as part of the need for clear, concise and effective disclosure.

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