

AUSTRALIAN IPO ACTIVITY FOR THE FIRST HALF OF 2023

IPO WATCH AUSTRALIA MID-YEAR REPORT

JULY 2023



hlb.com.au

TOGETHER WE MAKE IT HAPPEN

ABOUT IPO WATCH AUSTRALIA

Established in 2004, IPO Watch Australia is a benchmarking-based report. The research, led by HLB Mann Judd Perth, analyses Australian listing activity. The primary report is released in January, and it analyses IPO activity from the previous 12-month period. A second, short-form, report is published in July and focuses on the first six months of the calendar year (IPO Watch Australia Mid-Year Report).

Both reports are authored by Corporate & Audit Services Partner, Marcus Ohm and co-written by Isabel Godfrey. The report commentary articulates key data points and explores themes arising from market activity.

IPO Watch Australia is widely recognised in the market and is routinely referenced by clients, national media and the broader business community.

Disclaimer – The analysis presented in this report relates to all initial public offerings (IPOs) that have resulted in the listing of an entity's securities on the Australian Securities Exchange (ASX) with the exception of compliance, backdoor listings and offers of non-equity securities.

The term "small cap" is used to refer to companies with a market capitalisation of less than \$100 million. All analysis by reference to market capitalisation on listing is based on the price at which new securities were issued.

No part of this publication may be reproduced, in whole or in part, without appropriate attribution to HLB Mann Judd.

While every care has been taken to ensure the accuracy of information contained in this report, we accept no liability for any error or omission, nor for any action taken in reliance on any statement or opinion in this report.

No statement or opinion in this report is intended to be construed as investment advice. Properly considered professional advice should always be sought if in doubt regarding the merits of any investment.

Liability limited by a scheme approved under Professional Standards Legislation.

CONTENTS

FOREWORD	4
SECTOR ANALYSIS	5
2023 SNAPSHOT	6
IPO SUBSCRIPTION RATES	7
IPO MARKET PERFORMANCE	8
THE ROAD AHEAD	9
ABOUT HLB MANN JUDD	10

FOREWORD



Marcus Ohm
Partner
Corporate & Audit Services
Perth

THE 2023 IPO MARKET STALLS

The first half of 2023 has proven to be one of the most challenging periods for IPOs in Australia, as the market has experienced a significant decline in new listings. The number of IPOs reduced to a trickle, with only 14 listings recorded as of 30 June 2023. This represents a sharp decline compared to the 59 new listings in the same period in 2022. The lack of activity reflects the persistently difficult environment for IPOs that emerged towards the end of 2022, which saw a noticeable slowdown in activity.

Of the 14 listings in the first half of 2023, six were in January. In the second quarter of the year, there were only five new listings. The lack of IPOs unsurprisingly led to a significant decline in the overall amount raised. A total of \$150 million was raised during the period, representing an 81% reduction from the \$790 million raised in the same period of 2022 and a further fall from the \$2.9 billion raised in the first half of 2021.

The difficult conditions also impacted large cap listings (companies with a market cap on listing over \$100 million). There were only two large cap listings in the period. In the small cap sector, the most listings by market capitalisation were in the \$10-\$25 million band, with five listings. There were no listings in the \$75-\$100 million market capitalisation band.

Despite the significant fall in overall funds raised, the 12 small cap listings raised, on average,

\$8.3 million each. This figure represents a slight increase compared to the average \$7.6 million raised in the first half of 2022. The two large cap listings raised \$50 million in total, a decrease from the previous half-year total of \$384.4 million and an average raising of \$77 million from five listings.

In terms of subscription levels, the companies that completed their IPOs were generally successful in achieving their full target amounts. Thirteen of the 14 listings (92%) achieved their target, which is a significant improvement compared to 73% for the same period in 2022.

Of the listings in the period, only four recorded both day one gains and a period end gain. Four of the 14 listings saw no change in their closing share price on the first day of trading. The average first day gain across all new listings was 3% (2022: 18%). In terms of period end share prices, the average performance across all new listings was flat at 0%. The wider ASX All Ordinaries started the year at 7,222 and finished the period at 7,402, a marginal increase of 2%.

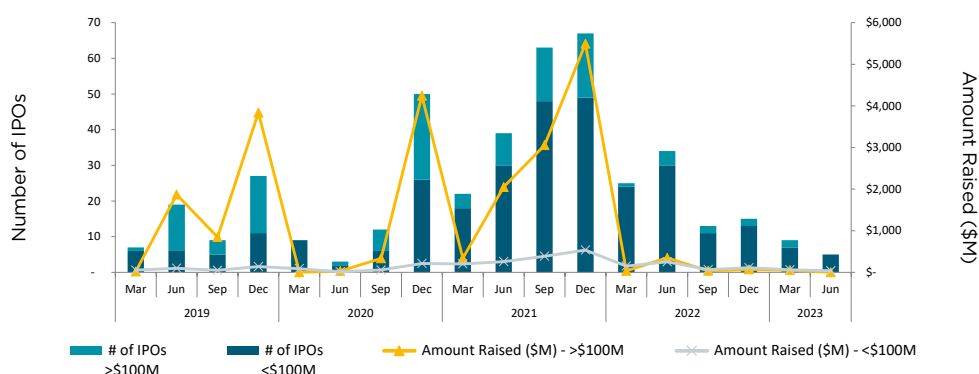
There was only one listing outside of the resources sector (made up of Materials and Energy companies). Acusensus Limited (ASX: ACE), listed in January and achieved a full subscription on its targeted funds. The listing price was maintained on day one, with a loss of 20% by period end.

Twelve of the 13 resources listings were Materials companies. More than half of these listings were based in Western Australia, which has historically been a strong contributor to small cap Materials listings.

Of the Materials companies that listed during the period, most focused on battery metals and rare earths. Surprisingly, only two listings were exploring for gold as a primary commodity, despite the supportive outlook for gold.

Currently there are only 11 companies in the ASX pipeline. With a combination of unfavourable macroeconomic factors and poor investor sentiment, we anticipate a challenging third quarter ahead for IPOs.

IPO ACTIVITY BY QUARTER



SECTOR ANALYSIS

FEWER SECTORS REPRESENTED IN 2023

Industry	All Listings				Small Cap Only			
	2023		2022		2023		2022	
	Number	Amount Raised (\$m)	Number	Amount Raised (\$m)	Number	Amount Raised (\$m)	Number	Amount Raised (\$m)
Automobiles & Components	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-
Capital Goods	-	-	1	10	-	-	1	10
Commercial & Professional Services	-	-	2	188	-	-	1	5
Consumer Durables & Apparel	-	-	-	-	-	-	-	-
Consumer Services	-	-	-	-	-	-	-	-
Diversified Financials	-	-	3	77	-	-	1	5
Energy	1	20	3	31	1	20	3	31
Food & Staples Retailing	-	-	1	6	-	-	1	6
Food, Beverage & Tobacco	-	-	1	5	-	-	1	5
Health Care Equipment & Services	-	-	2	36	-	-	1	6
Hotels, Restaurants & Leisure	-	-	-	-	-	-	-	-
Household & Personal Products	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Materials	12	110	44	428	11	80	43	328
Media	-	-	-	-	-	-	-	-
Pharmaceuticals, Biotechnology & Life Sciences	-	-	1	7	-	-	1	7
Real Estate	-	-	-	-	-	-	-	-
Retailing	-	-	-	-	-	-	-	-
Semiconductors & Semiconductor Equipment	-	-	-	-	-	-	-	-
Software & Services	1	20	1	2	-	-	1	2
Technology Hardware & Equipment	-	-	-	-	-	-	-	-
Telecommunication Services	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-
Total	14	150	59	790	12	100	54	405

The lack of any significant listing volumes led to a substantial fall in the number of industry sectors represented. Only three sectors recorded a new market entrant in the period, with 12 of the listings being from the Materials sector. The two remaining listings were from the Software & Services and Energy sectors.

The largest amount raised in the period was by VHM Limited (ASX: VHM), which achieved a fully subscribed placement of \$30 million with a market capitalisation on listing of \$266 million. The company is involved in rare earths exploration projects in Victoria.

Other larger listings during the period were Acusensus Limited (ASX: ACE) in the Software & Services sector and Gold Hydrogen Limited (ASX: GHY) in the Energy sector. Both listings raised \$20 million each and achieved their target subscriptions. Acusensus maintained listing price on day one with a loss of 20% by period end. Gold Hydrogen recorded a day one gain of 2% but a loss of 55% against listing price as at 30 June.

Continuing the trend from previous years, Materials companies represented the majority of listings for the year, as has been the case in recent periods. However, due to difficult market conditions, the projects were

limited to select commodities which retain investor support. The average amount raised from the 11 small cap Materials listings was \$7.3 million.

New exploration projects continue to focus on green and battery metals. Four of the new entrants listed lithium as a primary commodity sought. Cobalt, nickel and graphite were also listed as principal projects from a further three Materials listings. Rare earths and hydrogen were also represented by new entrants. Interestingly, only two companies with a primary focus on gold exploration listed during the period. SQX Resources Limited (ASX: SQX) and Iltani Resources Limited (ASX: ILT) listed gold as the principal project. Against a backdrop of economic uncertainty, gold forecasts have remained stable.

In terms of market performance, Materials listings recorded an average first day gain of 3% and an average period end result of 0% at 30 June. Materials was the only sector not to record an overall loss.

Seven of the 14 listings were from Western Australia. There were a further five listings in Victoria and two in Queensland. All the WA listings were Materials companies. This activity continues on the trend of WA being the largest contributor to IPOs in the Materials sector.

2023 SNAPSHOT

COMPARED TO THE FIRST HALF OF 2022



59 listings in 2022*



\$790 million in 2022*



18% in 2022*



54 listings in 2022*



44 listings in 2022*



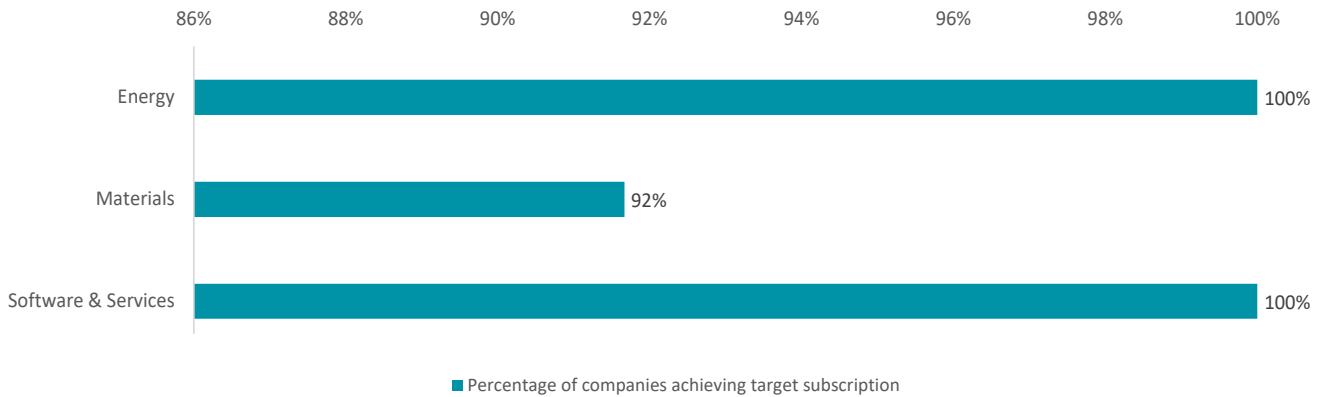
-10% average period end loss*

*in the first 6 months of 2022

IPO SUBSCRIPTION RATES

POSITIVE RESULTS FOR SUBSCRIPTION RATES

PERCENTAGE OF SUBSCRIPTION TARGET ACHIEVED BY SECTOR



Despite a very challenging market, subscription rates were higher compared to the same time last year. Of the 14 new listings, 13 (93%) achieved their target amount in full, compared to 73% in the first half of 2022.

Only one listing in the period, High-Tech Metals Limited (ASX: HTM), failed to reach its target, raising 86% of the \$5.5 million sought.

Total funds raised of \$150 million represents a fall of 83% compared to the previous corresponding period (\$790 million raised) and a further fall from 2021 when \$2.9 billion was raised in the first six months of the year.

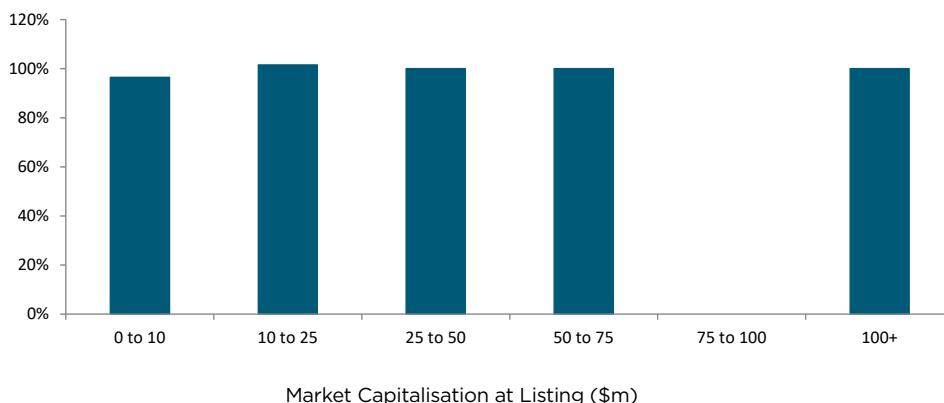
New listings were last at a comparably low level in 2020 which was impacted by the onset of the COVID-19 pandemic. During the first half of that year, the 12 successful listings raised only \$132 million.

Although the underlying factors may differ, the current period has been impacted by significant levels of uncertainty due to broad macroeconomic and geopolitical concerns across global markets. For many sectors, a successful bookbuild would be difficult to achieve in the present environment.

The \$0-\$10 million band raised the most as a percentage of their market capitalisation (68%) with average funds raised of \$5.43 million. Average funds raised in the \$10-\$25 million band were \$8.24 million which was higher than the same period in 2022, when \$7.79 million was raised.

Two out of the 14 listings (14%) were underwritten, continuing the trend observed in 2022, when only 8% of new listings were underwritten.

PERCENTAGE OF SUBSCRIPTION TARGET ACHIEVED¹



¹ Based on the funds target being the midpoint of any allotment range (some companies do not have a range). This means actual fundraising can exceed "targeted" fundraising (i.e. oversubscription).

IPO MARKET PERFORMANCE

POSITIVE RESULTS DESPITE CHALLENGING MARKET CONDITIONS

HISTORIC PERFORMANCE - ALL ORDINARIES AND IPOs

	All Ordinaries Index	Average First Day Gain/Loss ¹	Average Period End Gain/Loss ¹
6 Months to June 2023	2%	3%	0%
Year end December 2022	-7%	16%	-2%
Year end December 2021	14%	20%	17%
Year end December 2020	1%	31%	34%
Year end December 2019	19%	24%	35%

¹Average gain/loss for all new IPO's listed in the respective period.

Of the 14 companies that listed in the period, a total of seven new listings achieved a first day gain, while an additional four managed to close at the same price as their opening price. The previous corresponding period saw 58% of new listings achieve a first day gain.

The average first day gain was just 3% compared to a gain of 18% in the first half of 2022. NGX Limited (ASX: NGX) recorded the largest first day gain of the period (25%) and VHM Limited (ASX: VHM) the largest first day loss of 21%.

As of 30 June 2023, the average performance by period end against listing price across all new listings was flat at 0%. Due to the small number of listings, there was significant variation in post-listing performance across new entrants. The strongest performers by the end of the period were Leeuwin Metals Limited (ASX: LM1) and Dynamic Metals Limited (ASX: DYM) which both recorded a period end gain of 60% over issue price.

The worst share price performer during the period was ACDC Metals Limited (ASX: ADC). Whilst there was no change in share price on the first day of trading, by close of trade on 30 June 2023, the listing had recorded a loss of 60% against issue price.

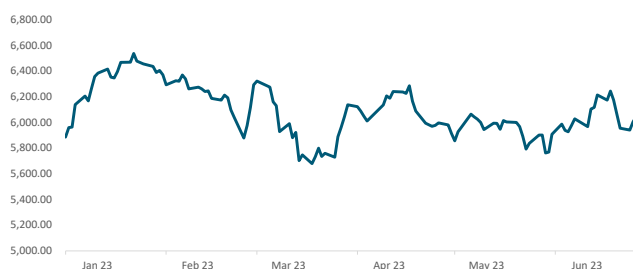
Both large cap listings during the period recorded a period end loss. The first day loss recorded by VHM Limited of 21% widened to 53% by 30 June. Acusensus recorded no movement on day one trading, however by 30 June it had recorded a loss of 20% against listing price.

With the difficult market conditions, it has been challenging for new entrants to post strong performance post-listing. The degree to which market headwinds, such as interest rate and inflationary concerns, improve will be critical to the strength of the IPO market for the remainder of the year.

**ALL ORDINARIES
(SIX-MONTH PRICE HISTORY)**



**S&P/ASX 200 RESOURCES INDEX
(SIX-MONTH PRICE HISTORY)**



THE ROAD AHEAD

AUSTRALIA'S 2023 IPO OUTLOOK

As of 30 June 2023, there was a total of 11 potential upcoming floats on the ASX, seeking to raise \$693 million. The resources sector continues to be a strong contributor with seven of the potential listings being Materials companies. Historically, Materials listings have dominated the small cap listings, and it is likely that this trend will continue over the next six months given current market conditions.

There are two biotech companies seeking to list in the third quarter of the year. Cancer diagnostic firm, Cleo Diagnostics, is seeking to raise \$12 million and UK-based cannabidiol firm, Dragonfly Biosciences, is seeking \$5 million.

Whilst the environment for large cap listings remains difficult at present, Redox Limited (ASX: RDX) subsequently listed in July, raising \$402 million. Abacus Storage Limited is also seeking to list in August and raise \$225 million. The highly-anticipated float of Virgin Australia does not yet have a set listing date.

Underlying factors impacting the IPO market include a significant degree of uncertainty across global markets, weaker indicators, and a slowdown in the world economy due to tighter monetary conditions. The outlook for the remainder of 2023 is expected to be challenging with tight capital markets.

The average funds sought across all potential new listings is \$63 million. This figure represents the two large cap listings as well as the remaining nine potential entrants which are seeking significantly smaller amounts.

PAST TRANSACTIONS

HLB MANN JUDD IS PROUD TO HAVE ASSISTED IN THE FOLLOWING TRANSACTIONS IN THE PAST 12 MONTHS



ABOUT HLB MANN JUDD AWARD-WINNING CLIENT SERVICE

The HLB Mann Judd Australasian Association consists of nine member firms and three representative firms across Australia, New Zealand and Fiji. It represents a group of specialists providing business advice and services to a wide range of business organisations and private clients.

Our experience

HLB Mann Judd's member firms currently audit over 6% of all ASX-listed companies and 10% of all ASX-listed resources companies in Australia. In addition to audit-related services, it also provides a broad range of advisory and tax services.

IPO readiness

HLB Mann Judd firms have extensive experience in assisting clients in their preparation for an IPO and in evaluating the benefits and feasibility of an IPO against alternative strategic options. Our assistance to companies pursuing an IPO typically includes:

- Independent limited assurance reports on historical and forecast financial information

- Analysis and advice on feasibility and alternatives to an IPO
- Pre-IPO diagnostic reviews
- Corporate and structuring advice
- Financial and taxation due diligence
- Valuations
- Company and shareholder tax advice and planning
- Accounting advice.

Global reach

HLB Mann Judd is a member of HLB International, the global advisory and accounting network. A top 10 global accounting network, HLB has a history of innovation, collaboration and is dedicated to helping clients grow across borders. Through the power of more than 40,831 professionals across 156 countries, HLB combines local expertise and global capabilities to service clients' needs.

CONTACT

FOR SPECIALIST ADVICE CONTACT OUR
AUDIT AND CORPORATE ADVISORY PARTNERS

MARCUS OHM

Perth
T: +61 (0)8 9267 3225
E: mohm@hlbwa.com.au

JUDE LAU

Melbourne
T: +61 (0)3 9606 3888
E: jlau@hlbvic.com.au

SIMON JAMES

Sydney
T: +61 (0)2 9020 4000
E: sjames@hlbns.com.au

BEN FOCK

Wollongong
T: +61 (0)2 4254 6500
E: bfock@hlbw.com.au

COREY MCGOWAN

Adelaide
T: +61 (0)8 8133 5030
E: cmcgowan@hlbsa.com.au

JAMES HENDERSON

Brisbane
T: +61 (0)7 3001 8800
E: jhenderson@hlbqld.com.au

MEMBER FIRMS

ADELAIDE

169 Fullarton Road
Dulwich SA 5065
T: +61 (0)8 8133 5000

PERTH INSOLVENCY WA

Level 3, 35 Outram Street
West Perth WA 6005
T: +61 (0)8 9215 7900

AUCKLAND

Level 8, 57 Symonds Street
Auckland 1010 New Zealand
T: +64 (0)9 303 2243

SYDNEY

Level 5, 10 Shelley Street,
Barangaroo NSW 2000
T: +61 (0)2 9020 4000

BRISBANE

Level 15, 66 Eagle Street
Brisbane QLD 4000
T: +61 (0)7 3001 8800

WOLLONGONG

65 Kembla Street
Wollongong NSW 2500
T: +61 (0)2 4254 6500

FIJI

Top Floor, HLB House
3 Cruickshank Road
Nadi Airport, Fiji
T: + 679 670 2430

REPRESENTATIVE FIRMS

HOBART / Lorkin Delpero Harris

31 Davey Street
Hobart TAS 7000
T: +61 (0)3 6224 4844

MELBOURNE

Level 9, 550 Bourke Street
Melbourne VIC 3000
T: +61 (0)3 9606 3888

LISMORE / Thomas Noble and Russell

31 Keen Street
Lismore NSW 2480
T: +61 (0)2 6626 3000

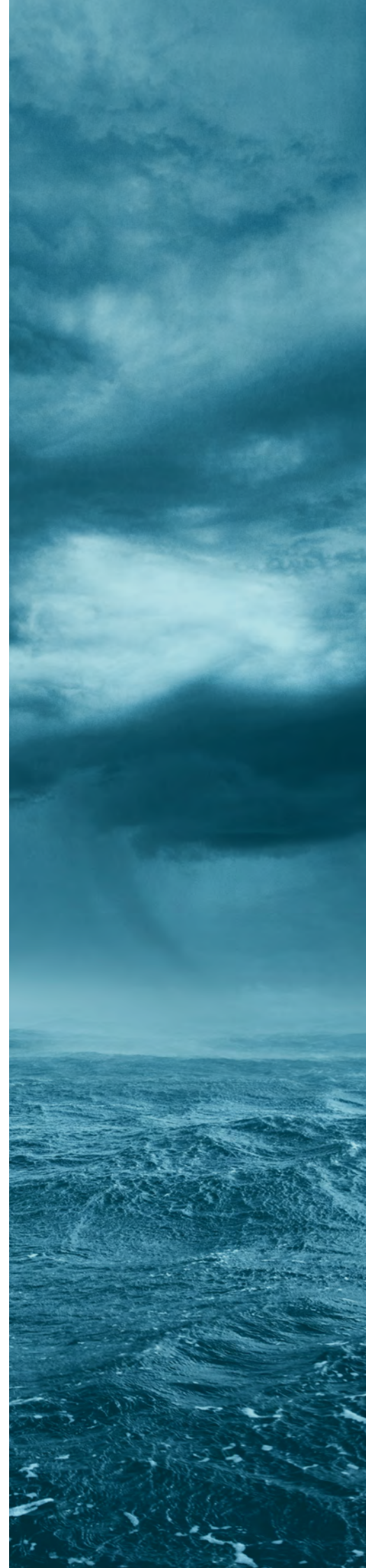
PERTH

Level 4, 130 Stirling Street
Perth WA 6000
T: +61 (0)8 9227 7500

NEWCASTLE / Cutcher & Neale

130 Parry Street
Newcastle West NSW 2302
T: +61 (0)2 4928 8500

hlb.com.au





hlb.com.au

TOGETHER WE MAKE IT HAPPEN

The HLB Mann Judd Australasian Association is an independent network of accounting firms, business and financial advisers with offices throughout Australia, New Zealand and Fiji. Each member firm is separately owned and managed and has no liability for the acts and omissions of any other member firm. Not all services listed in this report are provided by all member firms. HLB Mann Judd firms are part of HLB International, the global advisory and accounting network.
© 2023 HLB Mann Judd Australasian Association.