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FLOAT WATCH

Registry services facing a challenge

Registry Direct Limited

ASX CODE: RDI
SHARES ON OFFER: 30 million
LISTING PRICE: 20c
MARKET CAP: \$20.6m
LISTING DATE: October 30

SIMON HERRMANN

There are about 2.5 million registered companies in Australia and less than 0.1 per cent are publicly listed on the ASX or on any of the smaller stock exchanges.

All listed companies — but also many of the unlisted companies — consist of several shareholders and must somehow keep record of their securities register.

Depending on the size of the company these so-called share registry services are often outsourced.

The market in Australia is dominated by Computershare and Link Market Services, together controlling more than 60 per cent of the market. The third provider is Boardroom, which has been growing its market share in recent years.

Such a duopoly market structure often results in high barriers to entry, pricing power and little innovation. But it also creates opportunity for small providers to disrupt the industry.

The forthcoming listing of Registry Direct offers investors the chance to invest in an early stage company that plans to eat

into the market share of the “big three” but also targets a part of the market that has been neglected.

The company is banking on its own proprietary and cloud-based technology, which it claims to be cost-effective and user friendly — a “self-service” tool that allows companies to better manage shareholder engagement.

Targeting listed and unlisted public companies, management believes the latter is an “underserved segment”.

Registry Direct is planning to raise up to \$6 million to develop new software features, expand sales capabilities and pay for general overheads.

Managing director and chief executive Stuart Roe will be the largest shareholder, holding between 48 per cent and 60 per cent depending on the outcome of the raising.

During the financial year 2017 the company generated just \$650,000 in revenues, with its top two clients contributing nearly 65 per cent of the total.

The float appears speculative and somewhat premature, but the management team is experienced and understands an industry that is plagued by legacy systems and a lack of innovation.

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