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Software IPO for the speculators

FLOAT
WATCH

AXS Group

ASX CODE: AXS
SHARES ON OFFER: 28 million
LISTING PRICE: 25c
MARKET CAP: \$25m
LISTING DATE: November 28

SIMON HERRMANN

Software-as-a-service provider AXS Group is seeking to list on the ASX by way of IPO to continue to help its clients save time and money.

Technology shares have been sold off in recent weeks and as the company operates in a highly competitive sector, this IPO will fully explore the market appetite for yet another SaaS company.

AXS Group is an integrated software solution provider to the finance, insurance and funds sectors, offering products and services through its internally developed platform ARMnet.

Revenues are derived from subscription and licensing, maintenance, personalisation and servicing fees.

Revenues are linked to the number of “assets” being brought on to the software. The company claims to have an impressive retention rate of about 90 per cent since inception.

To showcase the quality of its platform, AXS Group heavily markets a customer case study, where a business processing centre reduced a four-five day processing time to four minutes using ARMnet.

Regardless, financial performance has been somewhat lumpy with revenues ranging between \$2.2 million and \$3m during the past three financial

years.

During FY17 the company posted a pro forma loss of \$1.2m.

With existing shareholders owning or controlling nearly 75 per cent post listing, there is a risk this combined interest may have an impact on liquidity or the company’s direction. The biggest risk, however, is industry competition.

I believe IPO investors require a long-term speculative appetite for this float.

Simon Herrmann is an investment analyst at www.wise-owl.com