



31 Dec 2018  
Age, Melbourne

Author: Colin Kruger • Section: Business News • Article Type: Share Market Report  
Audience : 83,229 • Page: 22 • Printed size: 1143.00cm<sup>2</sup> • Region: VIC  
Market: Australia • words: 853 • Item ID: 1057548220

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## Most of the investors who sunk \$8.46 billion into IPOs in 2018 are now holding shares worth less than they paid for them, writes **Colin Kruger**.

**M**ost of the investors who sunk \$8.46 billion into the initial public offerings (IPO) that occurred between January and November are now holding shares worth less than they paid for them. In some cases a lot less.

“Over the last year, you would have lost a pretty substantial amount of money,” said Bell Potter principal Hugh Robertson.

Viva Energy raised \$2.65 billion at \$2.50 a share in July. It was the biggest raising of the year. The stock hit a low of \$1.80 in November after Viva announced that it would not

meet its prospectus forecasts. The stock had barely registered above its IPO price since listing.

L1 Long Short Fund was the second largest raising of the year with \$1.35 billion at \$2 a share. It hit a low of \$1.285 in December.

Coronado Coal registered a double-digit drop on debut from its \$4 offer price, and has been on a slide every since. It hit a low of \$2.85 in December.

The market downturn has ensured a not so festive end to the year for investors, and killed off the traditional rush of IPOs ahead of the Christmas break.

According to ASX statistics, there were 125 new listings between January and November, compared to 143 for all of last year, and 133 in 2016.

The downturn will ensure we will end the year below last year’s IPOs even though the market was on track to match the prior year as recently as the third quarter, said HLB Mann Judd corporate advisory partner, Nicholas Guest.

He said the October market decline “really put on the brakes for brokers and investors”.

Bell Potter’s Mr Robertson also sees it as a sign that the current IPO cycle is reaching its end point.

“IPOs are very cyclical, it’s very much predicated on market and investor sentiment,” he said.

This cycle has played out over many years and investors have made a lot of money he said, citing success stories like Afterpay and Bellamy’s Organic.

He saw the failure of Online property conveyancer, PEXA, as a turning point.

PEXA had to pull its \$2.2 billion float in October when investors fled in the wake of the US tech carnage. It was sold to a consortium, including Link Holdings for \$1.6 billion.

“That to me was the death knell for the IPO market for the time being,” he said of the company which he praised as an “A-grade, company-defining technology business”.

The ASX did its best to talk up the successes for the year. It said stocks worth more than \$45.8 billion listed on the ASX in 2018, making it a blockbuster year

by this metric. The overall value of companies floated this year was bloated by the Wesfarmers spin-off of Coles Group and the Westfield merger with Unibail. These two new listings added \$26.8 billion to the value of shares listed this year.

In retrospect some of the high-profile float failures this year may have been a blessing for investors given the losses on the big names that did debut.

Aside from PEXA, there was also small business loans

provider Prospra, which pulled the plug on its public listing 15 minutes before it was set to debut after an ASIC query about its lending model.

Non-bank lender Latitude Financial also shelved plans for a \$2 billion raising from the market while it changed chief executives and awaited the final fallout from the bank royal commission.

Mr Robertson played down the impact of the failed floats on market sentiment.

“What does the market fear more damage is an IPO that gets up and doesn’t meet its numbers,” he said with reference to Viva’s missed guidance.

Not everyone lost money this year, although the winners are few and far between. The New Zealand-based packaged dairy business Keytone Dairy was still trading at double its 20¢ IPO price as recently as December.

And there is no doubt that the money is waiting for the new year when a fresh batch of companies will test the markets again.

The Australian capital markets are “brimming with cash” and “need places to invest it”, said Mr Robertson.

Mr Guest said his firm had a few contenders in the medtech, biotech and fintech space with plans for expansion.

“I think that’s where continue to see quite a level of investor interest,” he said.

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# A fistful of shares: the good, the bad and the ugly

STOCK	BID	OFFER	LAST	VOL	STOCK
ORLA	0.009	0.010	0.009	0	PROBURY
ORHOCELL	0.740	0.750	0.745	5HT	PALAX
ORLAX	0.040	0.050	0.000	0	PALACERESO
OSREY MED CDI	0.755	0.765	0.765	95T	PALADIN
ORLEWELS	0.155	0.170	0.175	200	PAN ASIA
OTC	0.096	0.097	0.095	1HT	PAN PAC.
OTOENERGY	0.068	0.069	0.068	3HT	PANCONT
OVRLAND	0.010	0.011	0.000	0	PANORAMA
OZBREWING	0.007	0.008	0.008	1M	PANORAMIC
OZOREX GRP	2.250	2.260	2.255	3M	PANTERRA GOL
OZROWTH	0.155	0.160	0.155	35T	PAPERLINX
OZINER	3.760	3.770	3.765	1M	PAPYRIUS
PAENERGY	0.415	0.430	0.420	20T	PARADIGM
PALSTAR	0.000	0.020	0.000	0	PARAGON
PALMINING	0.000	0.000	0.000	0	PARAMT MIN
PABRANDS	0.440	0.445	0.443	5T	
PACIFIC	0.033	0.040	0.033	2T	
PAIFAMERICAN	0.033	0.042	0.033	2T	
PAIFCENV	0.125	0.130	0.130	1T	
PAIFICO	0.024	0.026	0.025	7T	
PAIFIGORE	0.008	0.009	0.008	1T	
PASPILES	2.160	2.200	2.200	10T	

### THE NUMBERS

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