

Media Release

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IPO activity climbs to three-year high

Tuesday, 14 December 2010: IPO activity continued to recover from the GFC during 2010, with the number of expected floats approaching 100 and more than \$7 billion in new funds raised.

New data released today from the Deloitte Corporate Finance IPO survey shows that an expected surge in floats in December will yield a total of 92 IPOs by the end of 2010, up from only 42 in 2009.

The value of funds raised is also on an upward trend, rising to \$7.5 billion in 2010 from \$3.0 billion in 2009 and \$1.6 billion in 2008, although this largely reflects the recent \$4 billion listing of Queensland Rail and the \$2 billion float of Westfield Retail Trust.

Sydney based Deloitte Corporate Finance partner, Steve Woosnam, said the IPO market made a steady recovery from the depths of the GFC in 2008, although the subdued performance of the equity market in 2010, the fall in share price of floats in late 2009 and continued uncertainty regarding the strength of recovery had kept a lid on activity.

“Interestingly, the more significant private equity sales in the year such as Loscam, ATF, Study Group and National Hearing continued to be sold to trade buyers rather than listing, although CHAMP Ventures’ listing of Mastermyne demonstrated the float market was at least an option for assets in attractive sectors,” Mr Woosnam said.

IPO activity continues recovery in 2010



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
\$billion raised	4.6	1.4	3.1	9.2	10.3	15.2	8.1	10.4	1.6	3.0	7.5
Number of IPOs	161	57	73	102	175	172	184	260	71	42	92

“Most of the action in 2010 continued to be driven by the resources boom, including the year’s largest float, QR National. In fact, almost 80% of all IPOs were in the resources sector or resource related.

“While resources floats will continue to be a feature, there also appears to be a strong pipeline of other businesses for which IPOs could be an option in 2011.

“Many private equity firms will be looking to sell assets in the coming year following a couple of years where market conditions were not conducive to sales at acceptable values. Likewise those who deferred floats in 2009 and 2010, such as Valemus, will likely re-examine market conditions in the New Year.

“That said, there is likely to be continued strong competition from secondary private equity acquisitions and trade buyers with balance sheets in good shape and boards having put growth firmly back on the agenda again. Dual track sale processes are likely to feature prominently as vendors seek to ensure competitive tension in their sale processes,” Mr Woosnam said.

Another positive factor relating to 2010 IPO activity was the average share price performance of floats in 2010.

“Almost 60% of all IPOs were trading at or above their issue price at 3 December and the simple average share price gain was 33%. The average gain was again boosted by the exceptional share price rises of some resource explorers, but there were also some great results for investors in the industrial sector such as civil infrastructure developer Seymour Whyte, which was up 55% since listing.”

IPO share price performances in summary

	2005	2006	2007	2008	2009	2010
Total number of IPOs	172	184	260	71	42	68*
Number of IPOs trading at or above issue price at year end	105	135	134	3	27	37
Percentage of IPOs trading above issue price at year end	61%	73%	52%	4%	64%	54%
Average of price performance ¹	30%	53%	30%	-63%	25%	33%
ASX100	18%	18%	12%	-40%	33%	-4%
ASX200	18%	19%	12%	-41%	31%	-4%

*68 of an expected 92 IPOs had listed at the 3 December 2010 date of the preliminary survey

¹ – Simple average not weighted average

The best performing IPO for the year to date from a price perspective was Doray Minerals. Since listing on 8 February, the gold explorer's 20 cent shares have climbed to \$1.46 following drill results from its Andy Well prospect in the Murchison district of Western Australia. All of the top 10 IPOs by share price performance were from the resources sector.

Top 10 IPOs by share price performance

Company name	Listing date	GICS/Ind. Description	\$m raised	Share price gain/loss (%) at 3 12 10
Doray Minerals	8 Feb	Materials	4.7	630
Hunnu Coal	12 Feb	Energy	20.0	540
Forge Resources	23 Sep	Materials	2.9	400
Guildford Coal	22 Jul	Energy	2.0	185
Canyon Resources	15 Jun	Materials	3.5	120
Southern Hemisphere Mining	5 Jan	Materials	8.0	110
West African Resources	11 Jun	Materials	6.5	85
Bailey Minerals	2 Sep	Materials	3.5	78
Renaissance Minerals	11 Jun	Materials	7.0	75
Talga Gold	9 Jul	Materials	5.0	65

QR National and Westfield Retail Trust dominated float activity in 2010, raising \$4.1 billion and \$2 billion respectively, and accounting for 80% of all funds raised during the year. Share price performances of the largest floats improved from previous years, with more than half of the top 10 IPOs to list so far this year showing share price gains.

Top 10 IPOs by size

Company name	Listing date	GICS/Ind. Description	\$m raised	Share price gain/loss (%) at 3 12 10
QR National	22 Nov	Transportation	4,052	10
Westfield Retail Trust ⁽¹⁾	13 Dec	Real estate	2,010	n/a
Miclyn Offshore Express	26 Mar	Energy	284	-7
ERM Power ⁽¹⁾	15 Dec	Utilities	100	n/a
Gerard Lighting Group	19 May	Capital goods	85	-8
Kula Gold	16 Nov	Materials	80	-4
Maca	3 Nov	Materials	60	47
Mungana Goldmines	10 Jun	Materials	56	16
Mastermyne	7 May	Capital goods	40	42
NEXTDC ⁽¹⁾	13 Dec	Software and services	40	n/a

(1) Expected listing date

IPO activity increased sharply in all states except Victoria. Western Australia again produced the most floats, with 49 IPOs raising a total of \$458 million. Queensland raised the most funds thanks to the QR National float, although the number of IPOs in the state was also higher, up from 5 to 12. South

Australia is set to produce six IPOs for the year, with the value of funds raised rising strongly to \$132 million.

New South Wales float activity increased to 18 IPOs, up from only five in the previous year, while the value of funds raised increased sharply thanks to Westfield Retail Trust.

IPO activity by state

	2009		2010	
	Number	Total raised (\$m)	Number	Total raised (\$m)
NSW	5	70.6	18	2,562.7
Vic ⁽¹⁾	7	2,394.6	6	30.9
Qld	5	41.1	12	4,333.6
WA	21	126.5	49	457.7
SA	2	9.9	6	131.7
NT	1	4.0	-	-
Other ⁽²⁾	1	332.3	1	8.0
Total	42	2,979.0	92	7,524.6

(1) Includes Myer for 2009

(2) Kathmandu float (NZ based) in 2009

NB: See our media releases and research at www.deloitte.com.au

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