



IPOs back in favour as market sentiment picks up

James McCullough

RETAIL investors are starting to return to the battered Australian equity market.

One clear indicator that our market is starting to turn the corner is the sight of some rare beasts returning to the ASX – new floats.

Initial Public Offerings (IPOs) have barely been seen for the past 2½ years, particularly large floats, but the tide is now turning.

Myer's \$2.4 billion capital raising has whetted punters' appetites but other large offerings are also in the wings with talk of well over \$4 billion worth of new raisings via IPO over the next 12 months.

This compares with about a quarter of that amount over the past 12 months, Carsales.com being the largest with a raising, mainly institutional, of \$300 million.

Leading Australian outdoor clothing retailer Kathmandu is thought to be looking at a float before Christmas after recently securing James Strong, former Qantas chief executive, as chairman.

Kathmandu's owners, Goldman Sachs JBWere and Australia's Quadrant Private Equity, are said to be selling at least 75 per cent of the firm.

The reports say they are seeking a valuation of about \$371.93 million.

Lead managers of the float, Goldman Sachs JBWere and Macquarie, were sounding out investors on demand and pricing in New Zealand – where the company was previously based – and Australia. The company itself has refused to comment.

Goldman Sachs JBWere's Hauraki Equity No. 2 Fund and Australia's Quadrant Private Equity bought Kathmandu from retailing whizz Jan Cameron in 2006 in a deal valuing the group at \$275 million.

Archer Capital is looking at a \$700 million-plus float of the Ascendia Retailing group which owns Rebel Sport and Super A Mart, the company founded and sold by Queensland billionaire John Van Lieshout.

Another new IPO should follow when Pacific Equity Partners is expected to list its global share registry business, Link Market Services.

Paul Shepherd from RBS Morgans said equity raisings of all descriptions – placements, rights issues or share purchase plans – had been well received by the market in the past few months.

"There is definitely confidence returning to retail investors and institutional investors participating in IPOs but they have to be reasonably good companies with a good track record," Mr Shepherd said.

"The market is still cautious if it is overpriced but recent economic figures coming out suggest that Australia's economy is certainly in better shape than most of the world so it is also attracting offshore investment into new floats."

Another indicator of the market pick-up is evidenced by a large number of junior mining companies returning to the bourse through capital raisings.

Eight new companies have joined the bourse in the past

month with another 10 due to hit the lists in the next month, the bulk of them mining companies.

Azurn International, Carsales.com (an institutional capital raising with a small retail component), Digislide Holdings, Mystate, Sino Gas & Energy Holdings, Vieterra Inc and Westoz Investment Company are a few that have recently listed.

In the next few weeks, others listed to join the ASX include Australian Minerals and Mining Group (\$5 million raising), Dourado Resources (\$3 million), Genesis Resources (\$3 million), Laconia Resources (\$6 million), Octanex (\$300,000), and Winchester Resources (\$2 million).

Heritage Building Society is also looking at raising \$30 million via a retail debt issue at \$100 per note on October 26.

Mr Shepherd said recent equity raisings by companies had also generally gone well with Bank of Queensland's \$340 million capital raising subscribed six times over.

Likewise, Watpac raised about \$18 million and Brickworks had just completed a successful share purchase plan which raised \$54 million.

Other brokers said world equity markets have started to settle although the US remains a long way from recovery.

"But there is more confidence every day and at the end of the day, large super funds and retail investors have to put their money somewhere," one analyst said.

"A broad cross section of the community is starting to look again at the equity market."



Courier Mail
17-Oct-2009
Page: 84
Business News
By: James McCullough
Region: Brisbane
Circulation: 214468
Type: Australian Capital City Daily
Size: 291.78 sq.cms
Frequency: MTWTFS-



New floats in the wings

MYER HOLDINGS

- Raising \$2.2 billion to \$2.6 billion.
- Shares \$3.90 to \$4.90.
- Expected to list on Nov 2.

KATHMANDU

- Recently secured business heavyweight James Strong as its chairman.
- 87-store retail chain with offer likely to include Australian and NZ retail investors.
- Group changed hands in 2006 for \$275 million.
- Expected to raise about \$370 million.

SUPER A MART

- Australia's largest discount furniture and bedding retailer.
- 28 superstores in Qld, NSW, WA and SA.
- Founded by Qld billionaire John Van Lieshout who has now sold out.

REBEL SPORT

- 75 stores throughout Australia, including Tasmania.
- Super A Mart and Rebel (both owned by Ascendia Retail) are expected to raise \$700 million.