

Media Release

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IPO outlook looking more positive

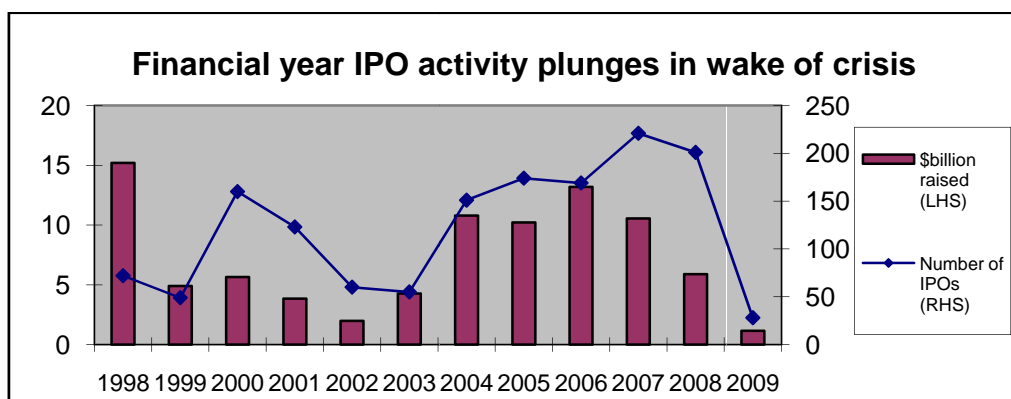
Wednesday 22 July 2009 - As expected, Deloitte's latest IPO survey recorded a sharp drop in the number of floats and value of funds raised in the financial year ended 30 June 2009, however the outlook is more positive than 12 months ago.

According to Deloitte Corporate Finance partner, Steve Woosnam, "Australian equity markets have shown a strong appetite for rights issues and placements in the last year with billions of dollars having been raised."

"As such, the equity markets have shown significant capacity to invest and with the ASX now showing signs of recovery, it looks increasingly likely that there will be demand for new issues. In particular, equity represents a viable source of funding as debt is still in scarce supply," he said.

The survey shows that the number of floats decreased from 201 in 2007-08 to just 27 in 2008-09, while the value of funds raised dropped from \$5.9 billion to \$1.1 billion.

Excluding funds raised from the Brisconnections float in the first quarter of 2008-09, there was only one other float which raised in excess of \$100m being Ivanhoe Australia which listed in August 2008. Ivanhoe was one of the 22 energy and resource stocks which dominated the listings from a sector perspective.



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There were however some surprisingly good share price performances of the small number of IPOs that have listed in 2009 to date.

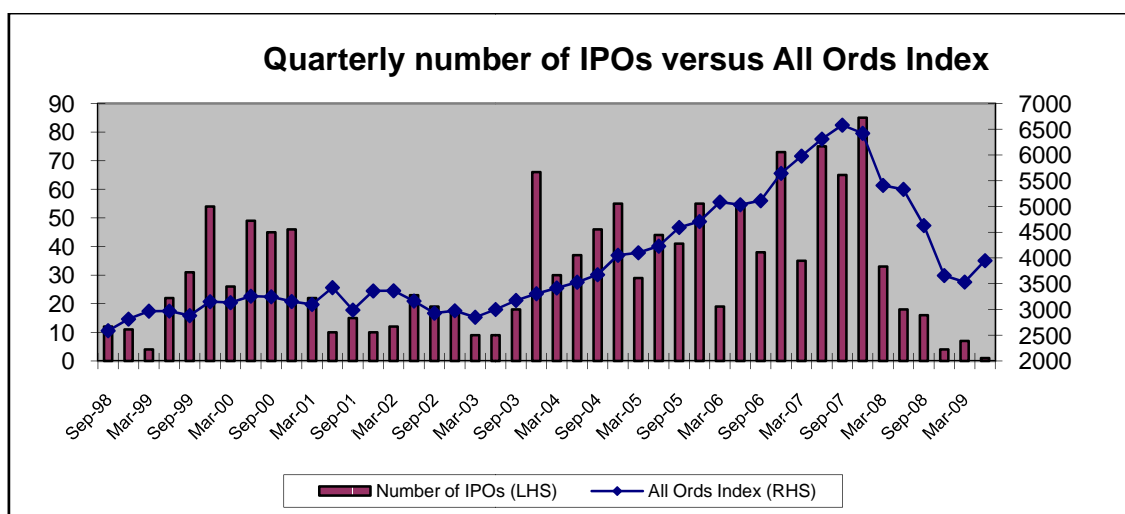
Mr Woosnam said all seven IPOs to list since the beginning of 2009 were trading above their issue price, with an average premium of 11% at 30 June 2009. The two most recent floats - Ausmon Resources and Norseman Gold - had increased by 30% and 29% respectively.

The best performing IPO of the year was iron ore and base metals explorer Emergent Resources, which finished the year at a 150% premium to its 20 cent issue price.

The average share price change across all IPOs in 2008-09 was a loss of -29% consistent with the wider All Ordinaries Index .

The outlook

“As you would expect, history shows that IPOs are strongly linked to improvements in the ASX index,” said Mr Woosnam. “As such, the likelihood of IPOs in the first half of FY10 would appear strongly dependent on continuing upward momentum in the equity markets to ensure companies achieve value on listing.”



“It is also worth reflecting that some of the larger companies to list just after the dotcom boom and during the market downturns in FY02 and FY03 (the index recording negative returns in both years) have fared well since listing in uncertain conditions.”

Mr Woosnam said the infrastructure and utilities sector led the recovery in IPO activity after the dotcom crash. “The sector generated almost half of the \$2 billion raised by IPOs in 2001-02, thanks to floats such as Macquarie Airports (\$500 million) and GasNet Australia (\$260 million),” he said.

“Infrastructure continued to be a large component of the IPO market in 2002-03 with raisings from Transurban and Southern Cross Fliers Trust, although fund raisings that year were dominated by the \$1.9 billion float of Promina, which accounted for 45% of the \$4.2 billion in total funds raised.”

Mr. Woosnam said, “It will be interesting to see whether any of the current state government disposal processes involving infrastructure assets follow dual track processes with IPO a real option. As mentioned previously, the limited access to debt to fund large acquisitions is posing a significant barrier to large scale acquisitions and hence the IPO market may offer an alternative.”

“Likewise, IPO appears to be shaping up as a more likely option for some private equity exits given the difficulty experienced by potential acquirers in obtaining significant debt to fund acquisitions,” he said. “I would be surprised if a number of contemplated private equity exits were not at least following a dual track process with IPO being a credible alternative.”

2008-09 IPOs by share price performance

Company name	Listing date	GICS/Ind. Description	\$m raised	Share price gain/loss (%) at 30 06 09
Emergent Resources	4-Aug-08	Materials	4.0	150
Phosphate Australia	1-Jul-08	Materials	10.0	35
Ausmon Resources	31-Mar-09	Materials	2.0	30
Norseman Gold	25-Jun-09	Materials	9.0	29
Dragon Energy	18-Feb-09	Materials	1.1	12
Treyo Leisure	8-Jan-09	Consumer durables	12.7	4
Thomas Bryson	20-Mar-09	Consumer durables	6.9	4
Global Resource Masters	3-Feb-09	Divers. financials	44.6	1
Ivanhoe Australia	6-Aug-08	Materials	125.0	0
Cape Alumina	29-Jan-09	Materials	15.0	0
Handini Resources	23-Oct-08	Materials	10.0	-12
Alamar Resources	29-Jul-08	Materials	2.4	-30
Waratah Gold	17-Jul-08	Materials	3.5	-40
Mt Isa Metals	22-Aug-08	Materials	7.0	-42
Manas Resources	22-Jul-08	Materials	6.0	-50
Flurotechnics	30-Oct-08	Pharma & biotech	10.0	-50
Riviera Resources	10-Sep-08	Materials	2.5	-59
Legacy Iron Ore	8-Jul-08	Materials	4.2	-60
Base Iron	2-Oct-08	Materials	4.0	-65
BrisConnections	31-Jul-08	Transportation	817.3	-69
APAC Coal	10-Jul-08	Energy	7.1	-70
New Standard Energy	8-Aug-08	Energy	7.25	-78
Aluminex Resources	30-Sep-08	Materials	10.0	-81
Malagasy Minerals	7-Jul-08	Materials	10.0	-82
Kilgore Oil & Gas	10-Jul-08	Energy	10.0	-83
Outback Metals	2-Sep-08	Materials	4.5	-88
Queensland Mining	2-Oct-08	Materials	3.0	-89

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