

Finance

Key steps to IPO success

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THE past 12 months were a difficult time for those companies hoping to launch themselves on to the market. There were only 39 new listings, well down from 68 in the previous year.

This year promises to be nothing like the past 12 months, said HLB Mann Judd director of corporate finance Geoffrey Webster.

He said those businesses keen to grow would have been using the down time to prepare themselves for the time when the appetite for initial public offerings (IPOs) returned and would have been operating like a listed company for some time.

Mr Webster outlined the seven key points that were necessary for a successful listing.

Strong fundamentals

This entailed a solid understanding of the existing and potential customer base, with a business strategy that was up to date and realigned to the landscape that was looking very different from 18 months ago.

Resilient model

A good past performance and the ability to adapt quickly to change -- especially as a consequence of the global financial crisis -- would be a major plus for any company preparing an IPO.

Earnings

It was important that there be a reconciliation of cash raised to earnings "enhancement". This involved not only attending to the day-to-day operations but also being in a position to take advantage of opportunities that could enhance the operation.

Cashflow stability

Being able to identify issues early and then be in a financial position to take action to prevent disaster or take on challenges demonstrated that a business understood itself and the market in which it operated.

Solid governance

The past 12-18 months should have taught many lessons, one of which was a good understanding of strong corporate governance.

Sufficient assets

A solid asset base during a capital raising gave management the essential credentials for having strong leadership qualities.

Management

You need to have the right team that was able to deliver on the business plan. Investors wanted people who had the time and energy to add value to a company.

Mr Webster used Raisama as an example of an IPO that had ticked all the boxes.

The Perth-based uranium exploration company listed last November, with an issue of 35 million shares at 35c each.

The IPO was successful, with shares trading between 48c and 56c since its listing.