

Notes on NZ IPO

Listing on NZX FAQs

What sort of company is the NZSX designed for?

The NZSX Market is suited to large and established enterprises. On listing on the NZSX Market, companies should have an appropriately qualified board of directors and at least 500 shareholders who hold at least 25% of the shares between them. Alternatively, check out our NZAX Market.

What are the benefits of listing?

- Access to public capital to fund growth, expansion or new ventures
- Improved pricing and liquidity for your company's shares
- Enhanced brand status and credibility associated with being listed on New Zealand's premier equities market
- Positive impact on internal culture and increased focus on performance
- Increased strategic flexibility.

Will I lose control of the company?

No. You can retain control of the company through continued participation as a director and/or manager of the company and through your ownership of shares, and the associated rights attaching to those shares. All you are doing by listing is giving up a portion of your ownership to other shareholders, in exchange for capital.

How much will it cost to list on the NZSX?

The costs of raising equity through an initial public offering should be no more than 6-8% of the money raised, depending on each company's circumstances. NZX listing fees are a small part of this cost.

See lower section.

Are the costs of listing too high to make it worthwhile?

Every company should assess for themselves whether the benefits justify the costs of raising capital on the public markets.

Cost-efficiency is maximised for companies looking to raise \$10 million or more. Companies seeking to raise \$5 million and less may wish to consider listing on the NZAX Market, or other forms of corporate finance (such as debt or venture capital) as the cost-benefit ratios become less compelling.

How many independent directors do we need?

On 29 October 2003, NZX introduced new amendments to the Listing Rules which included a requirement for the board of directors of a company to contain at least two independent directors or one-third of the board to be independent directors, whichever is greater. The Listing Rules define what it means to be an "independent director".

How long will it take to go through the listing process?

The listing process (from the time you engage an organising broker to the day your securities are listed) will normally take four to six months, depending on whether it is a compliance listing (ie not raising capital, which is generally much quicker) or an initial public offering (which generally takes longer and is dependent on the size and nature of the offering).

Our company is thinking about listing. What do we do to make it happen?

NZX is developing a guide to listing on the NZSX Market, which will be published on the NZX website. This document will provide an overview of the main steps in the listing process under NZX's Listing Rules and will assist you to understand the process required.

You should also discuss whether listing is the right option for your company with your professional advisors, including your bank, accountant and/or lawyer. Once you have made the decision to list, you should contact an NZX Broker.

See lower section.

What documentation do we need to produce, eg a prospectus?

This depends on whether you are compliance listing (not raising capital) or conducting an IPO (initial public offering of securities). If your company is not raising capital, you will only need to complete a disclosure document, which outlines key information regarding your company's business activities, financial activities and statements, information about the returns investors can expect from your securities, and other relevant information for investment decision making. It will also include a description of the business, an explanation of the business risks and an outline of the key drivers to performance.

If you are offering securities to the public, you will need to prepare an offering document in the form of a prospectus and investment statement.

What are our obligations once listed?

The NZSX Market follows a disclosure based regime. Listed companies are required to disclose all material information to the market, in order to ensure investors and shareholders are fully informed of all material information of the company that may affect the share price.

The full list of requirements regarding disclosure is contained in the NZX Listing Rules, but key requirements are to provide:

- Annual and half year financial results

- Annual and half year reports
- Any information that may be considered "material", eg change of directors, sale of assets, profit forecasts and warnings.

When should I announce to the market that we are intending to list?

The decision to announce your intention to list should be considered carefully. Once you announce you intend to become listed, you will start to receive an increased level of attention regarding your company and your listing strategy. Some companies announce their intentions early, others leave it until the last minute.

NZX will not make any announcements relating to your application to list or your intentions to list, without first consulting with you. You should also seek guidance from a communications advisor if you are considering listing.

What guidance will I get from NZX on how to be compliant?

All new listed companies will receive a copy of the NZX Listing Rules once they list. All companies will also be assigned an NZX Client Relationship Manager, whose role is to assist companies with their interactions with NZX.

Guide to listing on the NZAX (see expanded notes on each phase below overview section)

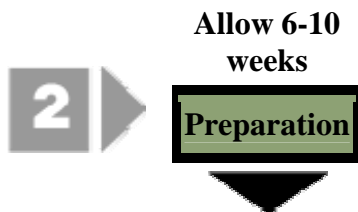


Allow 3-6 weeks



PHASE 1: PLAN

- Appoint an [NZX Sponsor](#). Your NZX Sponsor can be an accredited NZX Broker, bank, accountant or law firm. [More...](#)
- Working with your NZX Sponsor, appoint relevant professional advisors such as legal and marketing advisors (your "float team"). [More...](#)
- Prepare a listing timetable. [More...](#)
- Review and adjust internal processes and management, to ensure successful listing. [More...](#)



PHASE 2: PREPARE

- Finalise business plan* [More...](#)
- Develop issue strategy* [More...](#)
- Undertake due diligence and ensure all financial accounts are complete. [More...](#)
- Prepare offering document* (for IPO listings) or [disclosure document](#) (for compliance listings) [More...](#)
- Ensure your company constitution complies with [NZAX listing rules](#) [More...](#)
- Ensure your application meets all Securities Act requirements [More...](#)
- Assess whether you are a standard or non-standard NZAX issuer (based on whether you have a defined group of shareholders or if the ability of certain shareholders to vote is limited) [More...](#)
- Decide whether you are a Primary Listing, a Dual Primary Listing or an Overseas Listed Issuer [More...](#)
- Prepare analysts' presentation and investor roadshow* [More...](#)



PHASE 3: GO PUBLIC

- Submit your application for listing on the NZAX Market through your NZX Sponsor, to NZX. [More...](#)
- NZX will let you know if your application is successful. Once listing is approved: [More...](#)
- Post the offer document, financial statements, audit reports and other relevant information on the NZAX website. [More...](#)
- Undertake pricing and placement*. [More...](#)
- Make your offer document, financial statements, audit reports and material contracts available to prospective investors.
- Market the offer*. [More...](#)
- Dates will be set for listing your company on the NZAX Market and your initial public offering (IPO)* if applicable. [More...](#)
- Announce listing via press release, in conjunction with NZX. [More...](#)

4

Total 3-5
months

Ongoing
Promotion

PHASE 4: PROMOTE

- Ensure you have an investor relations strategy in place
 - Develop profile of analysts and brokers likely to cover your stock
 - Keep a record of how your share register is changing
 - Ensure you are releasing regular financial and business metrics to the market
 - Ensure you are fully compliant with all NZX Rules and Regulations, minimising un-necessary public scrutiny. [More...](#)
- Ensure your company complies with all obligations as set out in the NZX listing rules. [More...](#)
- Ensure your board and senior management are familiar with [NZAX listing rules](#) and legal obligations. [More...](#)
- Ensure your company has correct procedures in place to deal with corporate governance and continuous disclosure regimes. [More...](#)

* Specific to IPO listing only

NOTE: All times are estimates and depend entirely on individual complexity of listing.

Step 1: Plan

A. Appoint an NZX Sponsor

Your NZX Sponsor is an important part of the listing process and a valuable partner in taking your company to market.

NZX Sponsors must be accredited by NZX and carry the NZX Sponsor logo. Your NZX Sponsor could be an organisation such as an NZX Firm, investment bank, bank, accountant or law firm, provided they have been accredited by NZX as an NZX Sponsor. The rules governing the conduct of approved NZX Sponsors are contained in Appendix 2 of the NZAX Listing Rules.

Work with your NZX Sponsor to formulate a strategy for issuing securities to the public. They are accredited on the basis that they hold relevant transactional experience which will enable them to advise on either a compliance listing or an Initial Public Offering (IPO).

Your NZX Sponsor will be able to advise you on your requirements for achieving listed status. They will also be able to liaise with NZX on your behalf and may advise you on your obligations once listed.

B. Appoint your float team

To complete your float, you need to appoint a team of people whom you trust to represent you effectively. The knowledge and experience of your float team should contribute to the success of your float.

A key part of this phase is selecting an internal group of managers/directors to lead the company's efforts from within the organisation. It is vitally important that your internal team and your externally appointed advisors can work together autonomously, given that you need to continue running your business throughout the float process.

Your external float team should include:

- An NZX Sponsor

Their role is to manage the entire process for you and work closely alongside the other members of your team to ensure your float meets your company's business and financial objectives.

Your NZX Sponsor may be responsible for advice on corporate governance, preparation of the "marketing" (i.e. non-legal) sections of the offer (or disclosure) document, designing the issue structure, and advising on offer structure and pricing.

- Legal Advisor

Your legal advisor should meet your budget and your company's expectations and ideally have experience in initial public offerings.

Your legal advisor will ensure your company is aware of all its legal obligations including legislation such as the Securities Act 1978, the Companies Act 1993 and the NZAX Listing Rules. They will also assist with preparing your offering documentation, ensuring it meets all your legal obligations.

Typically, your legal advisor will manage the due diligence process.

Negotiate pricing up front, shop around and solicit tenders for the job.

- Accounting Advisor

Your accounting advisor is responsible for ensuring all your financial data is compliant and your company accounts meet all legal, regulatory and Listing Rule obligations.

If you choose to provide forecasts, you may wish the accounting advisor to review the process undertaken by management in preparing those forecasts.

Again, consider establishing fixed pricing up front.

- Communications Advisor

It is recommended that you have a communications plan in place to assist your public offering. NZX has published a communications guide to listing which is available to all prospective issuers on the NZAX market.

You should make sure you have a skilled communications advisor on your float team, or in-house. You could also consider engaging the services of an outside expert such as a PR consultant or media relations specialist.

Your advisor should be experienced in press pitching, roadshow analyst presentations, direct marketing and advertising.

C. Prepare listing timetable

Generally speaking, companies should allow at least three months to prepare for a float. There are a lot of processes and procedures that need to be put in place, and there is much dependency on outside resources to create a successful float. In particular, it may be necessary to spend considerable effort on corporate governance and company structuring prior to the change from private to public market ownership. This amount of time is also advised so that the company is not sidetracked from core operations. From the outset, company managers should work through and prepare a robust and detailed float timetable, which ensures all steps along the way are thoroughly planned and accounted for.

D. Review and adjust internal processes and management

The nature of a public listed company often, but not always, differs from the style of company operation and management that can be afforded by private companies. Transparency of all operations is critical, as is the maintenance of highly dependable accounting and reporting systems. A key part of success is obviously to ensure you have the right management group on board.

Step 2: Prepare

A. Finalise business plan (IPO listings only)

Existing companies should already have a business plan, which may only need some polishing up, to make it acceptable for a broader audience. The purpose of the business plan (other than to act as a road-map for all managers) is to outline to the public your company's goals, strategies and revenue generating products and services, along with your desired targets or marketplace. It should include management's opinion on why their company has a strong value proposition, cover a two to five year timeframe and, depending on whether you are doing a compliance listing or an IPO, your document should include:

- Company history & description of the business
- Objectives & goals
- Management overview
- Product & services plan
- Marketing plan
- Capital requirements
- Opportunities and risks

Potential investors will use this as a basis from which to make decisions on the company's likelihood to succeed.

B. Determine issue strategy (IPO listings only)

This is essentially the methodology for how you are going to take your company public. You would use the issue strategy in discussions with your Sponsor and it will give them the right detail to work from to ensure you meet your objectives. Issues to address include:

- What types of shares you are planning to issue
- The number and price of shares to be issued
- The description channels to be used in placing the shares
- Any future plans for further capital raising.

C. Undertake due diligence

The Due Diligence process will provide your Directors with a protection against any liability that may arise from the contents of the offer document. The steps involved in such a process will vary from company to company, but should include the following:

- Legal analysis of the company's structure
- Financial analysis of the company's balance sheet and revenue targets
- Commercial analysis of the company's business model and competitive advantage
- Other analysis depending on the situation.

D. Prepare offer document or disclosure document

A full offer document as required under the Securities Act (NZX - NZAX Market) Exemption Notice 2003 needs to be submitted if you are undertaking an IPO listing. Your NZX Sponsor or legal adviser will be able to guide you on the relevant contents for your offer document (in the case of an IPO) or disclosure document (in the case of a compliance listing). In the case of a compliance listing (i.e., no additional capital being raised), the disclosure document should contain the following information:

1. A brief description of the securities being quoted
2. Details of the issue (names and addresses of the NZAX Issuer and NZX Sponsor)
3. Details of the Directors and advisers
4. Directors' interests
5. Statement as to Substantial Security Holders
6. Description of the business, drivers of performance and the risks to performance
7. Returns
8. Guarantee of securities (additional detail where there is a guarantee of the securities)
9. Consequences of insolvency
10. Alteration of securities
11. Enquiries about securities - the names, addresses and telephone numbers for employees or agents of the NZAX Issuer and the NZX Sponsor to whom enquiries about the securities can be made.
12. Financial statements - a statement that the audited financial statements (including audit reports) are available on the NZAX website.

13. On request information - a statement describing the type of information that is required to be (or otherwise will be) available on request from the NZAX Issuer (including such information as the Constitution and the Annual Report of the NZAX issuer) and explaining how such a request should be made and the charge (if any) for the information.
14. Any other material information relating to the Issuer or its securities that investors or their advisors would reasonably require to make an assessment of:
 - i. the rights and liabilities attached to the securities;
 - ii. the assets and liabilities, financial position and performance, profits and losses and prospects and plans of the NZAX Issuer; and
 - iii. the risks and rewards associated with investment in the securities.

E. Ensure compliance with NZAX Listing Rules

NZX will review your application and ensure it meets all NZX's legal and regulatory requirements. It is advisable to contact NZX early on in the listing process, to ensure you are fully aware of all listing requirements and obligations. Your NZX Sponsor will be responsible for making the listing application on your behalf.

NZX will appoint an NZX Solicitor to manage the listing process from NZX's perspective and that solicitor will be the main point of contact between your sponsor and NZX throughout the application process. You will also be assigned a client relationship manager who will be your main contact once listed.

NZX undertakes to review all listing applications within 10 business days, provided there are no amendments required in the documents.

F. Ensure compliance with securities law

The Securities Commission was established under the Securities Act 1978 with the purpose of strengthening confidence in New Zealand's capital markets. The Securities Commission administers many of the securities laws in New Zealand.

If you are considering becoming a listed issuer it is critical that you are fully informed of all your requirements under law. Penalties for non-compliance or poor corporate governance in New Zealand can be severe as many requirements are designed to protect investors and increase the overall market credibility and confidence. For more information on the Securities Commission and securities law in New Zealand, visit www.sec-com.govt.nz.

G. Assess whether you are a standard or non-standard NZAX issuer

A non-standard NZAX issuer has a defined or limited set of shareholders, or has restrictions on the ability of certain shareholders to vote. All other issuers will be standard NZAX issuers.

H. Decide whether you will be a primary, a dual primary or an overseas listed issuer

A primary listed issuer has NZX as its home exchange. A dual-primary listed issuer has two home exchanges and complies with two sets of Listing Rules. An overseas listed issuer is deemed to comply with NZAX Listing Rules as long as it remains listed on its home exchange.

I. Prepare analysts' presentation (IPO listings only)

Analysts are a key conduit between your company and the investing public. By taking your story to analysts in advance of your public offer, you will be able to gauge the likely success of your offer, and give analysts time to prepare their research and sales materials on your organisation.

Therefore, this 'pre-IPO' phase is critical to the process, and taking time to prepare the presentation and 'sell' to analysts is highly recommended. They are a critical audience, and will require access to as much information as you are likely to put into the printed offer document from which to determine their valuations and recommendations.

Step 3: Go public

A. Submit application to NZX

Once all your documentation is complete, you will need to submit your application to NZX. The Application to List must be filed with NZX's legal and regulatory team by your NZX Sponsor.

As mentioned earlier, NZX will appoint a solicitor to manage the listing process from NZX's perspective. The solicitor, who liaises with the listing sub-committee of the NZX Board, makes recommendations to NZX on a company's suitability for listing. NZX undertakes to review all complete listing applications within 10 business days.

In submitting your application, and in order to ensure your application is swift and successful, you need to include all of the following:

1. Offer document or disclosure document (for approval by NZX)
2. Financial statements and audit reports (in the case of an offer document) for posting on the NZAX website
3. An executed Listing Agreement in the approved form
4. Substantial security holder notices
5. Directors' and executives' acknowledgements regarding compliance with NZAX Listing Rules
6. A declaration from your NZX Sponsor in accordance with NZAX Listing Rules
7. A copy of your company's constitution and certificate of incorporation, and a solicitor's certificate as to the constitution's compliance with the Listing Rules
8. If you are a non-standard NZAX Issuer, confirmation of the criteria for such a classification
9. Copies of annual reports for the last five years, if available
10. Details of the number and class of securities to be quoted, and details of any issue or allotment intended prior to listing
11. Any advertisements that you wish to issue in relation to an offer
12. Contact details of your company and your NZX Sponsor
13. Confirmation that any fees have been paid to NZX
14. Confirmation that the bond or deposit required under the NZAX Listing Rules has been provided
15. Any other information or documents that NZX might request.

If your application is successful, in addition to complying with the Securities Act 1978, you will need to:

- Make your offer document, financial statements, audit reports and other relevant information available for posting on the NZAX website, and
- Make your offer document, financial statements, audit reports and material contracts available to investors on request.

Dates can then be set for listing your company on the NZAX Market and your initial public offering if applicable.

B. Undertake pricing and placement

This is a critical phase prior to listing. The pricing and placement phase in the float process often occurs at the same time as the marketing of the offer. It is often critical to price-setting that analysts and underwriters understand the likely demand for your shares.

The pricing and placement of your offer is usually managed by your NZX Sponsor, who will recommend an offer price for shares in your company.

Quite often the company's performance to date is the key determinant for setting the offer price. Comparative analysis of other companies in similar sectors is also common. Analysts will look at your likely market capitalisation, price/earnings ratio and other such criteria as part of the price-setting phase.

There are a number of placement strategies for ensuring a good offer price for your securities. The placement of your securities is critical to ensuring the success of the float. It is generally expected that a minimum of 25% of the capital stock will be offered to the public markets, sometimes your broker will offer to underwrite the offer, either by themselves or in conjunction with other parties.

Underwriting is less common in today's market. The benefits are that your company gains certainty about achieving its placement goals, and there is less risk of an under-subscribed float.

The most common pricing methodologies which occur in New Zealand are

- **Fixed-price method** - the shares are placed with potential buyers at a fixed price, usually set by the NZX Sponsor and NZX Firm in advance. This is a particularly common methodology for smaller issues
- **Book-building** - your broker will determine the offer price based on demand from a combination of the wholesale market and retail interest.
- **Open-price offering** - this is basically an auction method amongst major investors, managed by the NZX Sponsor or NZX Firm. It has the benefit of being able to take into account any changes in the market during the four weeks or more between the time the prospectus is printed and the date of listing.

C. Market the offer

Once you have completed all the preparation required to go public, and pricing and placement are underway, you are ready to market your offer. This is a pivotal phase - it is where the ownership entitlements to your company are offered to the market. Quite often marketing will occur contemporaneously with the pricing/placement phases. However, it is important for potential investors to gain some idea of the potential price of the shares before commitment, so generally pricing will have occurred before main-stream marketing of the offer is undertaken.

You may wish to deploy some marketing and promotional tactics which will maximise your exposure to as broad a financial audience as possible. This may assist in a strong up-take of your offer and generate ongoing interest in your shares, hopefully fuelling liquidity and assisting price determination.

You may wish to appoint a marketing or communications advisor who has strong business media relations, as your profile will no longer just be in your industry category.

Your advisor could prepare a marketing plan for your offer, working in consultation with the NZX Sponsor. This should help in marketing your shares to:

- Retail investors in New Zealand
- Institutional investors in New Zealand e.g., fund and asset managers
- Offshore investors, including primarily markets of relevance to your business plan

There are a number of techniques that can be deployed for marketing your offer. Some common techniques include:

- Roadshows
- Direct & targeted marketing
- Investor presentations
- Advertising
- Press pitching
- Internet & email

It is important that the executive management of your business is at the frontline of your marketing activities, to build interest through personalities. Your executive management should be responsible for selling your company story in a powerful and compelling way. Convincing investors - particularly institutional - of the need for them to place capital in your company's business plan at this stage in the process will assist in a successful float.

You should note that securities law places a number of restrictions on "advertising" an offer of securities to the public, in particular prior to the registration of your offering document with the Companies office. "Advertising" is defined widely, and will include all of the techniques described above. You should consult with your legal advisor to ensure that you comply with all your statutory obligations in this regard both prior to, and past, registration of your offer document.

D. Listing

Once the allocation and pricing of shares is complete, and you have had approval to list from NZX, a date can be set for the listing of shares on the NZAX Market.

At this final stage, your company will need to ensure that you communicate the listing date adequately to the market through press releases or other forms of public announcement.

A company stock ticker code is then created, which will identify your stock on the NZAX Market.

NZX will help advise on and/or arrange a listing function or event to celebrate the commencement of public trading in your stocks. At this time a certificate of listing will be issued, and your company will be quoted on the NZAX Market.

Step 4: Promote

A. Investor relations

Once your company is listed, the work is not complete! It is an important requirement of all listed issuers to ensure good investor relations - you now have a new product and audience to market to. You should continue to keep your name in front of your retail and institutional investor audience through carefully considered investor relations and marketing programmes.

Your investor relations programme may include regular analyst briefings, roadshows to institutional and retail investors throughout New Zealand, inclusion of financial and shareholder information on your website e.g., stock quotes, fundamental trading statistics, company announcements, executive presentations etc.

You also have some mandatory obligations under law which you need to ensure you comply with (more on this in the following sections). These include issuing regular statements on your business activities, and financial documentation and statements to the market.

Your investor relations programme can either be managed in-house by your communications group, or out-sourced to an industry specialist.

B. Continuous disclosure

Listed issuers have obligations under the NZAX Listing Rules to keep the market constantly informed on matters that may affect the price of their securities. This obligation was introduced on 1 December 2002 in the NZX Listing Rules and the Securities Markets Amendment Act 2002.

Listed issuers must disclose material information immediately. "Material Information" is generally information about the issuer that is likely to affect the price of the issuer's securities. Disclosure must occur first to NZX. NZX offers information to all listed issuers on how to make market announcements via the NZX Market Announcement Platform. This includes disclosure of financial forecasts, where the information may differ from market expectations. Information may be withheld on limited grounds. Continuous disclosure,

aligning New Zealand with Australian practice, is a major change from the previous "relevant information" rule.

NZX Regulation monitors trading to identify situations where trading may be taking place in a listed issuer's securities but the wider market is not fully informed. It is a key principle that all persons must be trading on the same level of information. Where this is not happening, NZX's legal and regulatory team takes steps to ensure that the issuer discloses relevant information.

For more information see www.legislation.govt.nz for the Securities Markets Act 1988 and also www.nzx.com/nzxmarket/nzax.

C. Listing Rule Compliance

Listed companies are subject to Listing Rules which require a higher standard of governance than is set by common law to ensure all shareholders are treated fairly and equally.

To protect market integrity, NZAX listed issuers are required to comply with the ongoing requirements of the NZAX Listing Rules.

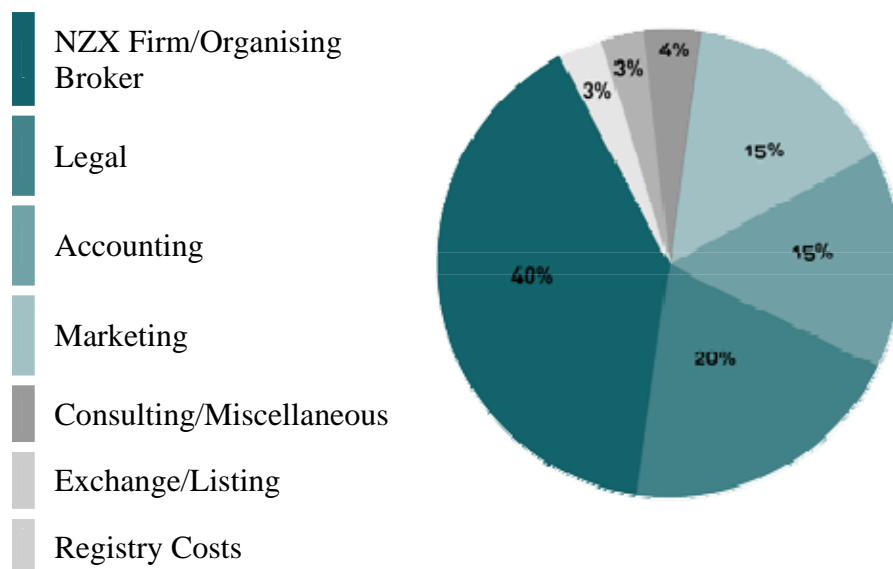
The main features of the NZAX Listing Rules regarding corporate governance, which are designed to enhance investor confidence, are:

- **Release of material information:** Issuers and their directors must ensure that any material information (information which a reasonable person would believe was likely to influence the market price of the issuer's securities,) must be made available to the market, subject to certain exceptions. In practice, this means all announcements of this nature must go through NZX's Market Announcement Platform first and, then, subsequently to the news media.
- **Specified release of financial information:** Financial information must be released to the market at specified times in prescribed formats. It must contain a specified and wide range of information, and meet defined deadlines. Certain other non-financial information must also be disclosed.
- **Governance principles:** Directors must ensure that companies are managed in the interests of all shareholders and treat all shareholders equally. Corporate governance practices must be disclosed in an issuer's annual report.
- **Rules relating to directors:** These rules specify the way directors are appointed, rotated and remunerated. Their aim is to ensure that the issuer's board cannot retain control of an issuer against the wishes of the holders of a majority of the shares.

Listed issuers are also required to provide regular reports to NZX. Preliminary half year and full year results are required within 60 days of the balance date. Full year audited annual reports are required to be sent to shareholders and NZX within four months of the balance date. For more information on corporate governance and obligations of NZX listed issuers, visit www.nzx.com/regulation/listed_issuer.

Costs of listing on the NZSX

NZX can not give any absolute guarantees of what it will cost a company to list on the NZSX Market. Other than fees to NZX, companies will encounter a number of other costs involved in listing. These typically consist of:



Source: NZX study, December 2002

A recent NZX study found the average cost of raising capital on the NZSX Market through an initial public offering was 6-8%, and the median figure was lower than this.

NZX encourages potential listed companies to negotiate with NZX Firms and other advisors, such as accountants and lawyers, to achieve the best prices. For example, NZX's own listing on the NZSX Market was achieved at a cost of 4.5% of the money raised due to such negotiation.

Listing fees payable to NZX

Fee	Price
Entry	\$10,000 (minimum fee)
Annual Listing	Dependent on market capitalisation, but generally between \$10,000 and \$180,000.

These fees exclude GST and are subject to change.

Listing Case Study



Tony Coombe
CHIEF FINANCIAL OFFICER
TURNERS AUCTIONS

NZX TICKER: TUA
LISTED: October 2002

What was the main reason your company made a decision to publicly list?

“Our company had recently separated from its parent company, Turners and Growers, resulting in all the underlying shareholders getting a direct shareholding in Turners Auctions Ltd. While we had no immediate need for capital raising, our goals for listing were varied. The main reasons included the opportunity to diversify our shareholder base - increasing both the breadth and depth of shareholders, raising the profile of Turners Auctions as a separate entity – both from a branding and a business management perspective, and lastly, giving us the opportunity to raise cost-effective capital to enhance and grow our retail premises.”

What were the additional capital sources you considered, and was it cost that ultimately led to your decision to raise capital through public markets, or some other factor?

“One of the main considerations we took into account when choosing to list, was the fact that we were raising a relatively small amount of capital (\$6 million). The cost of raising the capital was around 10%, which was not the cheapest option available to us at the time, but gave us the flexibility and positioning to continue growing. We offset the slightly higher initial capital raising costs, by the fact that ongoing capital raising would be simpler and easier.

Spreading the shareholder base was also a key consideration, and the main trigger why we moved from the Unlisted facility to the NZSX. We hadn't been on the secondary board for long but we had already attracted some new shareholders, as some of the parent company shareholders sold down their newly acquired shares. But without many sellers our shares were very illiquid.

Through the Prospectus process we were able to attract a wider range of shareholders, by offering a good dividend yield [10.9%] at a competitive issue price of \$1.50. You will recall that world equity markets were very depressed at the time of the float and we had to carefully consider how to make the offer attractive to new investors. I am pleased to say that we got the mix right and the 4 million shares (15% of the company) were significantly over-subscribed. This resulted in a successful float for the shareholders and also delivered against our objectives for diversifying our shareholder base. A significant proportion of the float capital was reserved for staff and existing shareholders, which resulted in increased loyalty and cultural participation.”

Who did you partner with as part of the listing process?

“JB Were was our lead broker, with ABN-AMRO and ASB Securities used as co-leads. We were fortunate to have such an experienced float team, given the relatively small size of our IPO, which I’m sure contributed to its overall success.”

Did you find compliance an issue at the point of listing? e.g. how much additional work/restructuring/ preparation internally did you undertake to comply with listing rules?

“When we separated from Turners and Growers, we had to untangle ourselves from a well established Board and financial reporting infrastructure. In turn we had to establish our own management and governance operations. We increased our financial capabilities within the accounting team, and added a new director at the Board level to assist us in managing our compliance on an ongoing basis. We were also fortunate to have excellent legal advisors who continue to assist us in avoiding any pitfalls in terms of compliance processes.”

What are the challenges for your organisation on an ongoing basis in remaining compliant and disclosing information to the market?

“It is important that compliance is considered a Board issue, and that they have a high degree of focus on the company maintaining its compliance standards. Having an experienced Board and management team is critical to this. It is also our view that you have to take a long term strategic view to compliance, to avoid any negative impact on shareholder value if you do not get it right.” “We found NZX helpful in assisting us with information relating to compliance, and we continue to work closely with them as we go forward.”

What have been the financial (tangible) benefits to your organisation since you listed?

“It has strengthened our financial position with the \$6 million raised from the new capital. We have used the proceeds to eliminate our debt, and grow both our inventories and branches. We are now in a good position to have a further issue which provides more flexibility to consider expansion opportunities.”

What have been the intangible benefits that you have received?

“It has definitely raised our profile, and increased our brand value. More people and larger NZ companies are now considering auction as a way of sourcing or disposing of vehicles and commercial goods. Our higher profile has generated a very positive public image for our company with a notable increase in interest from off-shore companies”.

Have your company owners found releasing control to public shareholders an issue?

“Certainly our major suppliers and competitors now have a far greater awareness of our financial position than when we were a subsidiary of Turners & Growers. The added public profile has taken a bit of getting used to. However our major shareholders have been happy to release some of their control to increase the awareness of the Group and to unlock the inherent shareholder value in our previously closely held company.”

Now that you have a greater profile as a listed company, what has been the impact on your culture?

“Our staff has watched the share price grow with some pride, as the market comes to appreciate the good business that we have in the NZ market. It is a great feeling to be part of a successful and growing company.”

What advice would you give companies considering listing, based on your experience?

“Controlling the listing costs and detailed planning before you enter the process, is key. Ensure that your due diligence process is well carried out and with relevant materiality thresholds, so that the process does not get overdone. Timelines are invariably tight and the process requires a lot of co-ordination between the Board, legal advisors, brokers and auditors. Don’t under-estimate the time required to complete the task successfully.”

Copied from www.nzx.com 2008 (links removed, some underlining added)