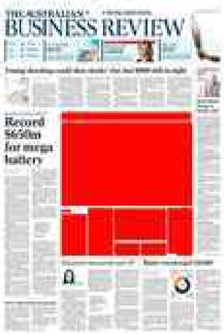
Why foreign companies flock to the ASX
By MATT BELL

The Australian
Monday 15th July 2024
Page 15,19 | Section: BUSINESS


BUSINESS REVIEW

Record $650m for mega battery

Why foreign companies flock to the ASX

MATT BELL

The Australian Securities Exchange's appeal as a haven for mid-tier businesses is likely to underpin an expected rebound in initial public offerings from early 2025 as more foreign companies scope out a listing Down Under.

More foreign businesses have opted to list on the ASX instead of home markets in recent years because of the rising strength of superannuation funds, coupled with the increased ability to stand out from the pack.

In the past six months there have been 15 IPOs, including the listings of Canada's Capstone Copper and US-based Metals Acquisition Corp, with Pittsburgh-based Alcoa Corporation to join the ranks following its takeover of Alumina.

Nine of the IPOs so far this year have been mining or mining-related companies, with uranium and lithium explorer Infini Resources up 270 per cent on its issue price, and Sun Silver, which is developing a project in the US, rallying 173 per cent. Capstone Copper Corp shares have climbed 13 per cent since they started trading on April 2.

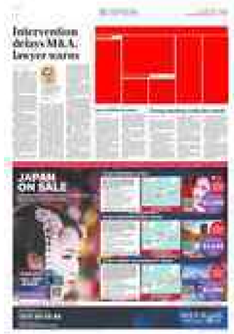
Three more miners are due to hit the boards this week, with uranium explorer Piche Resources listing on Monday and Brazilian rare earths play Axel Ree and gold and lithium explorer Ordell Minerals on Tuesday, according to the ASX.

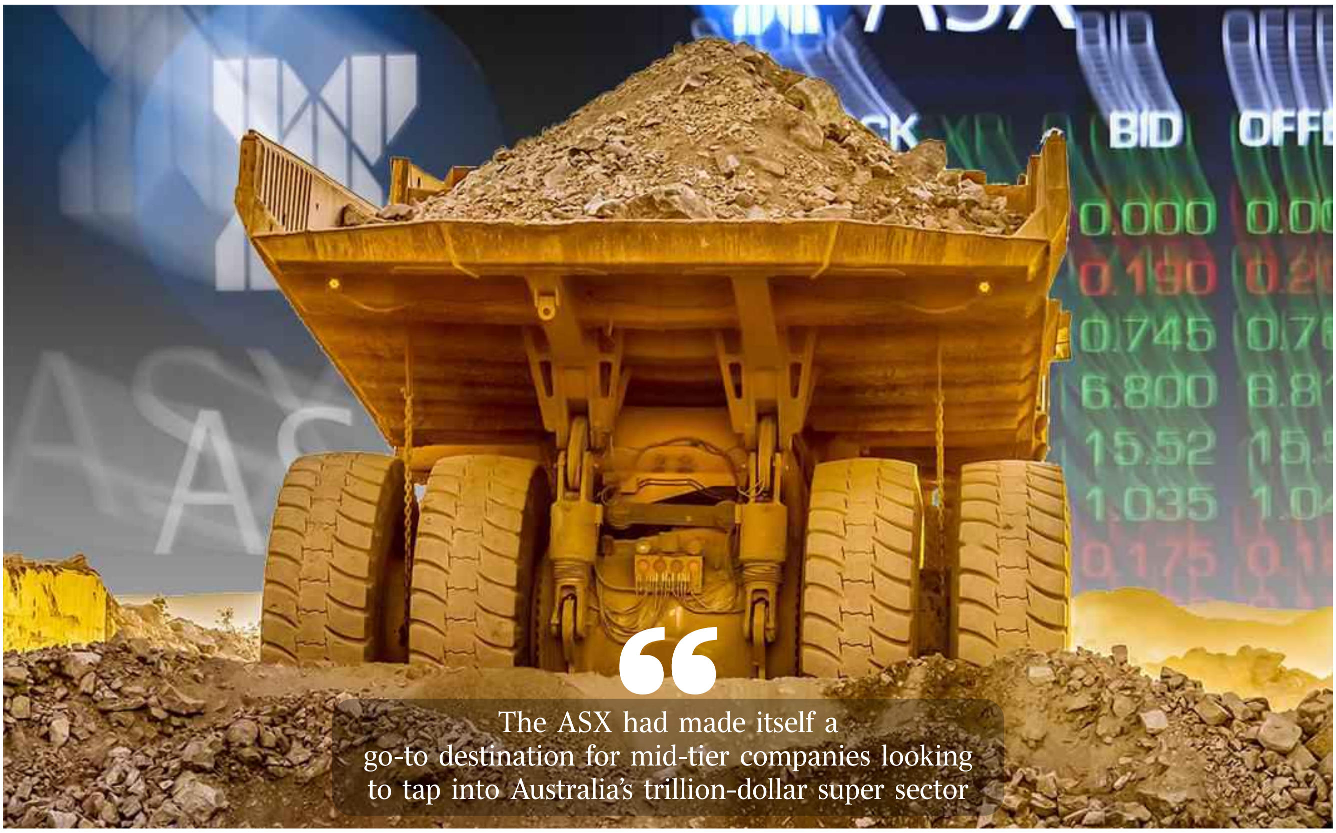
BDO private equity and transaction services partner Sebastian Stevens told The Australian that the ASX had made itself a go-to destination for mid-tier companies looking to rise to prominence at a faster rate and tap into Australia's trillion-dollar super sector. "We used to have competition from Singapore and Hong Kong, but Singapore has become property-centric and Hong Kong has lost its credibility from China's overreach, which means a lot of capital does not flow there, while the competitor in Europe, UK's AIM market, has not performed well either," he said.

"International companies will play a larger role in the ASX going forward because this funnelling of money from our super system isn't going away. The fundamentals are that you're going to run out of Australian companies of quality to be on the ASX to satisfy the fund managers' allocations."

As of June 30 there are more than 230 foreign listings on the ASX with 60 from New Zealand, followed by 45 American companies and 18 from Canada. Singapore, Britain and Israel also have a strong presence on the ASX. High-profile foreign companies that have opted for the

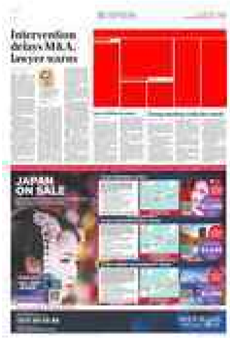
Continued on Page 19





RECENT LISTINGS ON ASX

COMPANY	ISSUE PRICE	LAST TRADED	CHANGE
Infini Resources	20¢	74¢	▲ 270%
Sun Silver	20¢	54.5¢	▲ 173%
Metals Acquisition	$17	$20.94	▲ 23%
Capstone Copper	$9.85	$11.15	▲ 13%
Alfabs Australia	25¢	24.5¢	▼ -2%
Far Northern Resources	20¢	19¢	▼ -5%
Resouro Strategic Metals	50¢	45.5¢	▼ -9%
D3 Energy	20¢	17.5¢	▼ -12.50%
Litchfield Minerals	20¢	12.5¢	▼ -37.50%



Why foreign companies flock to the ASX

Continued from Page 15

ASX include Life360, ResMed, Amcor and Newmont.

Mr Stevens said the bourse had the highest number of secondary companies of any major index, and it was more attuned to growth companies because of the country's super funds and a large volume of mining companies. "It is a great market for those mid-market businesses and the ASX is also attuned to giving subsequent capital raises, which if you're on Nasdaq and you then want to raise subsequent capital, it's very frowned upon," he said.

"Having the most number of follow-on capital raises globally is very helpful for tech and other businesses that constantly need money pumped in."

ASX promoted itself as a destination that offered access to capital and global indices, competitive valuations and a springboard into an entity's home market, because "earlier-stage companies with $5bn market capitalisation or less can struggle to attract investor attention" in large home markets, he said.

As of April 2023, entry to the S&P/ASX 300 was allowed at a $US266m free float-adjusted market capitalisation, compared to $US12.7bn for the S&P 500.

Mr Stevens said valuations on the ASX were inviting for companies that would not qualify elsewhere, and once you made an S&P index in Australia, the business generally had more coverage, and performed better in accessing global fund managers because they could only invest in indexes.

"If you're a mid-market company in the US, you can't get on Nasdaq because you're not going to get followed. And the multiples are so low that there's no point.

"You can come to Australia, get double the valuation, get some profiles and credibility, like Life360 dual-listing back to Nasdaq," he said.

"It means that the valuations that you're getting in Australia are virtually double Nasdaq if you're less than $3bn or $4bn."

San Francisco-based Life360, which provides a family location safety app, listed on the ASX in 2019, and has become an ASX 200 company with a market capitalisation of $3.7bn and share price growth of 219 per cent.

Mr Stevens, who helped to bring the company to market here, said the problem for companies that remained in the US was because they could not get on an index, they needed another round of venture capital funding that could dilute the ownership structure for the founders.

"VC funding in the States is really complicated with preferred stocks, and that means those founders just keep getting relegated down the capital chain and it is not great for them, but it is for venture capitalists," Mr Stevens said.

"For a founder on the ASX, everyone that invests is an ordinary shareholder and there is no preference for VC funds or anyone else."

IPO activity has been subdued for 18 months as vendor expectations and public market pricing have failed to align amid uncertainty around interest rates and inflationary pressures.

BDO, which undertakes the highest number of IPOs in Australia, has spent more time in the US to scope out the potential for tech companies to list here instead of on Wall Street.

Mr Stevens expected that once the market recovered, the ASX would be well placed to benefit from more international companies. "The biggest challenge has always been why come to Australia?" he said.

"The explanation as to why a US company would list on the ASX, that's the bigger challenge. Once they understand the valuations and the cost of listing is lower and the liquidity is better and the follow-on raises are better, then that for many it almost becomes a no-brainer."

In 2023, there were 32 new listings on the ASX, raising a total of $847m – well below the 87 new listings in 2022, which raised just over $1bn.

BDO partner Sebastian Stevens