Committee	Parliamentary Joint Committee on Corporations and Financial Services
Inquiry	Oversight of ASIC, the Takeovers Panel and the Corporations Legislation No.1 of the 46th Parliament
Question No.	026
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Topic	IPO markets
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Committee member	Senator O'Neill

Question

Senator O'NEILL: They are, but it's still an interaction with a market. For many people who are coming to engage with an IPO, who have never had anything to do with that before and might have had a mediator as a stockbroker, they book their own holiday, they're engaging with crypto and they're developing some degree of literacy, and then there's always somebody out there to lure them in, to move along to the next step without protection.
Mr Longo: With the IPO market, I think we have given some materials on notice, in answer to a previous question, about the number of prospectuses that go through. I think you used the expression 'failed float'; they're not quite the words I would use. It's a capital raise. It's a float. We risk-target the prospectuses we spend more time on. I think the corporations team—I'm happy to take this on notice—would be able to give the committee a little bit more information about what we've seen in the market in the last 12 to 18 months. Essentially, as we've been over before, it's a disclosure driven regime. The directors and underwriters take responsibility for what they say to the market and investors, and investors decide whether they want to invest in the securities being floated. As you pointed out: some floats go really well and they're deemed to be successful, and there are other floats where things don't go as well as people would like but that doesn't mean there was illegal conduct at the time of the float. These are very fundamental principles of the way the system works. We will give you an overview of our understanding from the last 12 months.

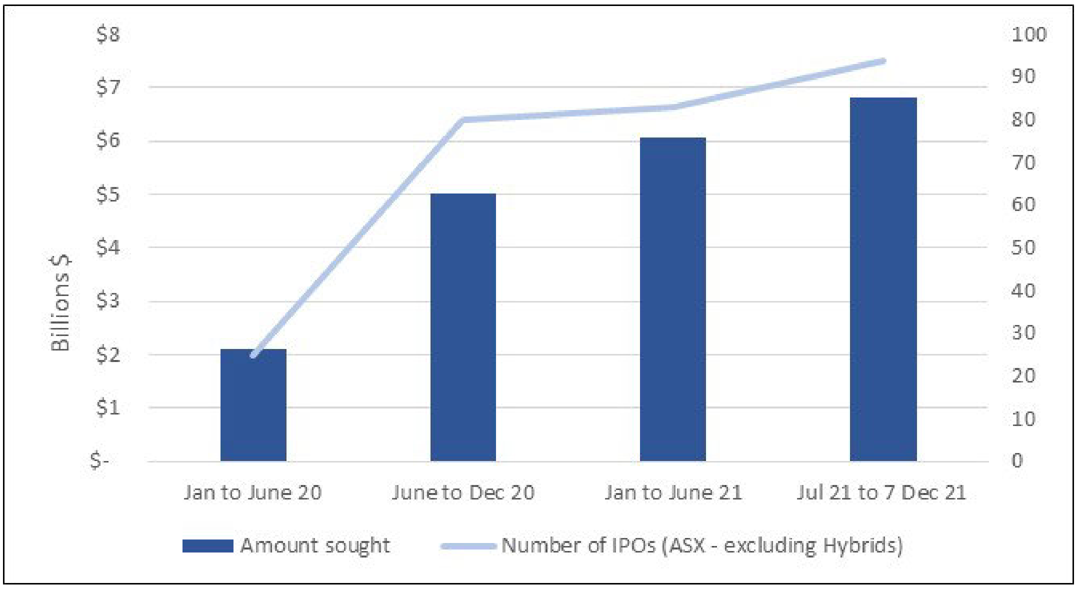
Answer

As has been previously described to the Committee in our letter dated 9 July 2021 (see QoN 203), the Corporations Team has regulatory oversight of prospectuses lodged with ASIC.

We receive approximately 600 to 800 prospectuses a year, many of which are lodged for compliance purposes and are not seeking to raise funds. As described in *RG 254: Offering securities under a disclosure document*, we do not review all disclosure documents lodged with us. It is the responsibility of issuers to ensure that their disclosure documents comply with the law and are otherwise suitable for dissemination before lodging them with ASIC. We do not pre-vet prospectuses prior to lodgement to ensure compliance with the law.

Recent lodgement statistics

The graph shows the number of ASX IPO prospectuses lodged with ASIC, and the amount sought to be raised, since 1 January 2020:



In January to June 2020, primary capital markets were strongly impacted by COVID with the focus being on emergency secondary capital raisings.

June to December 2020 exhibited a strong rebound. While there were some large floats such as PEXA Group Ltd ($1.2b fundraising), the $50m to $150m fundraising segment was particularly strong – with companies like Silk Logistics Holdings Ltd, Dr Care Anywhere Group Plc and Dusk Group Ltd all listing in this period.

The current half we are in is one of the busiest on record. Prospectuses have been lodged for some very large IPOs (offers raising more than $500m), such as GQG Partners Inc, Judo Capital Holdings Ltd Bank and APM Human Services.

Based on discussions with stakeholders, we understand the IPO pipeline in the small to mid-cap space will be strong in the first half of 2022.

Since 1 January 2020, ASIC has extended the exposure period for 55 prospectuses, issued 17 interim stop orders, and two final stop orders.

Areas of focus

Since the rebound in primary capital markets in the second half of calendar year 2020, we have focused our prospectus reviews on how issuers are disclosing the extent that they have been affected by COVID-19 as well as the reasonable basis for their forecasts. We have seen a cautious but continuing return to longer duration forecasts with many issuers forecasting to 30 June 2022 and some stretching beyond that depending on the nature of their business. However, some businesses seeking to IPO, are still forming that view that they cannot give any form of forecast due to the pervasive effect of COVID related uncertainties on their business.

We continue to recognise the disclosure difficulties in some of these areas and have been meeting with many issuers prior to lodgment to work through some of these issues prior to lodgment.

The Corporations team also holds bi-annual corporate finance liaison meetings to discuss regulatory issues in relation to capital markets and mergers and acquisitions. The most recent meeting held in November, had more than 300 practitioners and stakeholders in attendance. We also publish quarterly corporate finance newsletters documenting concerns we are seeing in terms of prospectus disclosure and our areas of focus. See [ASIC Corporate Finance Update | ASIC - Australian Securities and Investments Commission]