



# Valuable Advice from Workshop I

## Capital Raisings

**Held on Wednesday 25 June 2014**

Chaired by Allan McRae, Corporate and Commercial Partner at Lowndes Associates, the interactive workshop was led by three speakers, Jonathan Oram, Director of Macquarie Capital, Norah Barlow ONZM, Director and Consultant of Merseyside Limited and Matt Riley, Director of Waterman Capital.

Allan McRae opened the workshop on a positive note, remembering 2013 as a great year for listings and noting that there have been several listings so far in 2014.

Allan briefly discussed the regulatory changes coming to pass, first with the fast-tracked Phase 1 of the new regulatory framework providing growth-focused and relatively stand-alone new rules with less onerous requirements for certain offerings: crowd funding and peer to peer lending platforms, small personal offers, shares offered under employee share purchase schemes, and same class offers of quoted financial products.

Phase 2 will see some further changes including the new regime for licensing for financial product markets. Allan also discussed NZX's proposed New Market and noted that the jury's out as to whether the new market will be a success, but that overseas experience suggests that there is space for a middle market.



Allan McRae, Chairman, with (L-R) Matt Riley, Norah Barlow ONZM and Jonathan Oram

## Jonathan Oram – Preparation is Key

Jonathan Oram spoke first, noting the growing confidence in the market in IPOs. He referred to the last two years as having been record years in terms of issuance, compared to the gap in the market around 2006-2011. He thought it was likely that the number of IPOs and quantum involved would increase.

Kiwisaver was cited as a growth and confidence driver. Around 30% of funds in Kiwisaver are currently allocated to equities but only around 9% are allocated to New Zealand equities. Consequently Jonathan sees much more potential for capital in this space as people slowly move out of the default schemes in favour of a range of the more risky growth funds.

Jonathan stressed the importance of preparation prior to going to market for a successful IPO, listing the following as important steps:



- Appoint a suitable adviser to help you prepare;
- Form a board (around 4-5 people is sufficient to bring a company to market);
- Make sure your financials are in order; and
- Establish an agreed framework with shareholders.

Jonathan spoke about the importance of having a profile and a recognised name in the market as an important starting point for preparing for listing.

Jonathan was of the view that New Zealand companies have strong offshore demand and that dual listing (Australia/New Zealand) is a good idea as it opens up an IPO to a larger number of institutions - which can make a big difference to pricing and long-term access to capital.

## Norah Barlow – The Somerset Story

Norah shared with guests some insights from her experiences with the Somerset IPO, both from the initial IPO in 2008 which was withdrawn after the collapse of Lehman Brothers and the subsequent successful IPO in 2011, which was the first serious capital raising exercise since the global financial crisis.

Norah stressed the importance of timing and preparation. The market must be ready and there must be investor appetite, otherwise your listing is unlikely to succeed. For Somerset, there were a lot of factors to consider in terms of timing, with it being election year and the year of the Rugby World Cup. However, Somerset was in a fortunate position the second time around in 2011, having already gone through the steps in 2008.

She also advised guests to be alert to everything you say as a public/potential public entity.

Norah also stressed good broker relationships. You need the market to understand your company's story and the brokers are the ones who must sell it on your behalf. You will need the brokers to understand your future outlook, including realistic forecasts.

Norah also mentioned the importance of setting your price at a level that the market is prepared to pay. She noted that companies should be careful to not list at a price that is too high.



## Matt Riley – Private equity – Misunderstood

Matt's discussion focused on private equity and the role of private equity in the New Zealand market. His view on the regulatory changes and the new market was that although there are some changes coming to pass, many of the regulatory changes are unlikely to have much impact on private equity.

Private equity plays an important role in bringing companies to market, driving growth and preparing companies for the future. Matt noted that there have been high returns for private equity-backed IPOs and that private equity is really just the organised representative of the public market.

In New Zealand, private equity has been going about its business for around 20 years, but with only a few organised firms in the market. Matt believes that there is always opportunity for private equity and no shortage of capital out there, but the key is to match the right opportunities with that capital.

When asked why not much Kiwisaver money is currently flowing into private equity, Matt's view was that the Kiwisaver funds have not yet got to a size that allows them to invest large amounts in private equity.

Private equity is significant in New Zealand for accelerating growth and driving efficiency. It gives you a partner alongside your business who is interested in your industry and your objectives, and who has a skill set that allows it to encourage better management performance. This is an important driver in positioning companies for their next step and can help a company to deliver higher returns. However you need to be careful to look at the quality of the sponsor, their experience and reputation in the market.

In summary, Matt considered that private equity fills an important role in New Zealand's capital markets.

The session concluded after Allan McRae thanked the panel and all of the participants and sponsors of the first of the 2014 series.

---

We look forward to the next chapter in the 2014 Business Intelligence Series, *From Strategy to Results: Building Effective Boards and High Performing Organisations* on Wednesday 6 August 2014. Please see [our website](#) for more details.

Proudly hosted and supported by



Business Intelligence Series PO Box 7314, Auckland Phone +64 9 373 7712  
info@business-intelligence.co.nz www.business-intelligence.co.nz

