

To IPO or not to IPO?

Access to venture capital remains challenging in Australia, particularly as companies enter the growth phase. An IPO is a one-time decision – the tactical and strategic consequences cannot easily be reversed. Consider these three key areas carefully.

- 1 Fundraising: Your ability to continue to raise capital to support growth**
- 2 Growth: An IPO, as well as the amount of capital raised, will define growth**
- 3 Exit: An IPO will open some exit doors but close others, so plan ahead**

An IPO will bring significantly greater public visibility to the company, but also more onerous governance and reporting requirements, and any performance stumbles along the way will come under the microscope. Before leaping into the public markets, make sure you understand all the implications for your business

Fundraising



The ASX path may be viable, if growth does not depend on subsequent, exponentially larger capital raisings



Follow-on issues are possible, but will likely be more dilutive than VC funding, and also subject to market conditions



For now, the poor post-IPO track record of most tech IPOs may create negative sentiment

Growth



Governance requirements will be a new burden on management and limit strategic and operational flexibility



Lower valuations and a smaller capital pool imply you will have less financial muscle than US VC-funded competitors



Investors may pressure you to focus on near-term profitability and local market growth, hindering longer-term results

Exit



An ASX listing effectively closes the door to offshore VC fundraising, limiting your future sources of capital



Founders will not be able to sell down much of their own equity following an IPO until the company is mature



Exit options will be restricted - some acquirors of the company will not be prepared to mount a public bid

Public markets are an entirely different game from private ownership. Make sure you have a Chair and CFO that are suitably experienced in both the listed company and startup environments, and make sure you have licensed financial advisors on board who can give you objective, practical, commercial advice



“Guide to listing on the ASX”

“Shoe Dog”

“The Entrepreneur’s Guide”

Pottinger