

THE COST-BENEFIT TRADE OFF FOR LISTING YOUR COMPANY ON A STOCK EXCHANGE

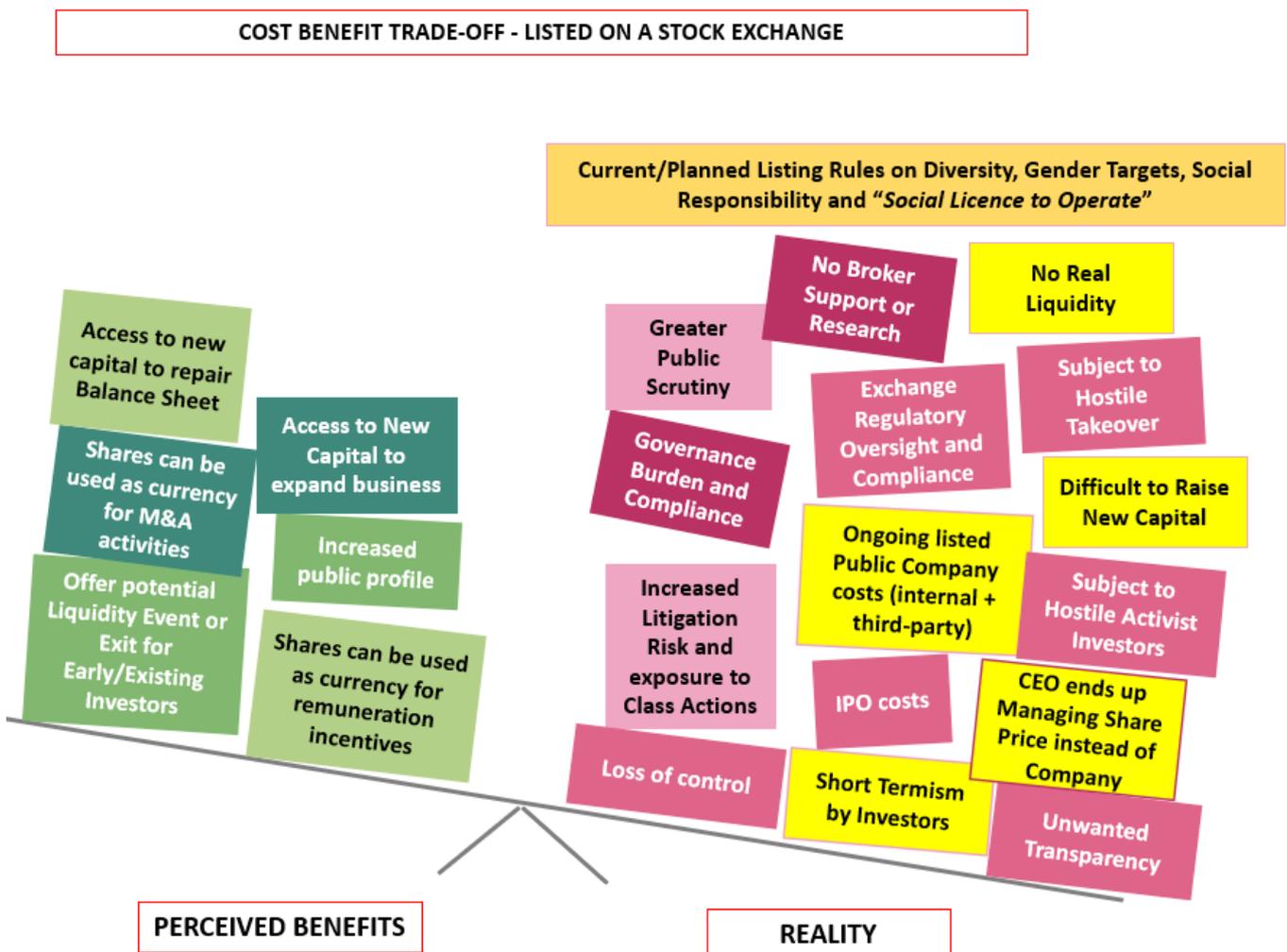
WHY WOULD YOU WANT TO BE LISTED?

There are 2 fundamental reasons why a Company would want to list or remain listed on a traditional stock exchange :

1. Raise new funds such as equity; and
2. Provide liquidity for securityholders i.e. a marketplace to buy/sell their securities.

As is often the case, the reality of being listed is sometimes very different from the initial perceptions.

THE TRUE COST-BENEFIT OF LISTING ON A STOCK EXCHANGE



AUSTRALIAN & USA MARKET EXPERIENCES

Australian Market Experiences - Listed

There are approximately 2,185 companies currently listed on the ASX. The poor performance of some recent IPOs and the uncertain global pandemic, economic, business and political landscapes have made the public listing process even more uncertain. In the past, many companies have tended to list early in their life cycle.

With a greater abundance of private capital now available companies no longer need to pursue an IPO as a primary form of capital raising or liquidity solution for their shareholders.

Rather than face the criticism of a disappointing IPO, many “unicorns” that the industry hoped would make a public offering have instead opted to tap into readily accessible late-stage capital from the private markets.

An interesting example is **Tyro Payments Limited (ASX.TYR)**. PrimaryMarkets traded Tyro shares for ~2 years pre its IPO in early December 2019. PrimaryMarkets traded ~A\$38M of Tyro shares from A\$0.93 up to A\$2.20 in September 2019 when Tyro announced its imminent listing on the ASX. The Tyro IPO raised ~A\$287M @ A\$2.75 per share equating to a market cap of ~A\$1.37B. In February 2020 Tyro reached a high of A\$4.53 yet in the March, following market disruptions, it fell to a low of A\$0.97. One may ask what would have been the price gyrations for Tyro if it had remained private and never listed on the ASX?

USA Market Experiences for Listed v Unlisted Issuer

It is interesting to look at market experiences in the USA. The dynamics of its private capital markets have changed significantly allowing Issuers to grow larger and stay private longer.

The number of companies listed on US stock exchanges has declined since 1996 by circa 50% despite the substantial rise in aggregate market capitalisations. One view is that this decline is the result of the rising role of digital firms in the US economy plus other factors including:

- Decrease in the number of IPOs.
- Bankruptcy, failure or closure of listed companies.
- Delisting of companies to become private or which have been acquired.

In the USA, 2019 was the first time that private markets exceeded the listed markets.

There is most definitely a marked difference in attitude in the USA for unlisted companies. US investors are happy to keep investing further into Series F, G and beyond because they still see a strong exit point (either trade sale or IPO) whilst a common attitude in Australia is to go public (IPO) as quickly as possible to provide an early exit.

In 2013 there were 19 new **Unicorns** (private/unlisted company enterprise value > US\$1B). In 2019, a new Unicorn was being born every two working days producing the below statistics for USA Unicorns alone:

	Unicorns	Total Enterprise Value	Total Equity Raised
	452	US\$1.8T	US\$368B

Timing to IPO in the USA - The median time between first funding and IPO for US VC-backed tech companies is now 12+ years yet companies must seek pre-IPO liquidity for founders and key employees to maintain their attractiveness.

Mega Trends and Tailwinds in the Private Markets

Mega Trends in the global private markets include increasing “dry power” of private equity (estimates > US\$1T), companies staying private for longer and Unicorns multiplying in number each year.

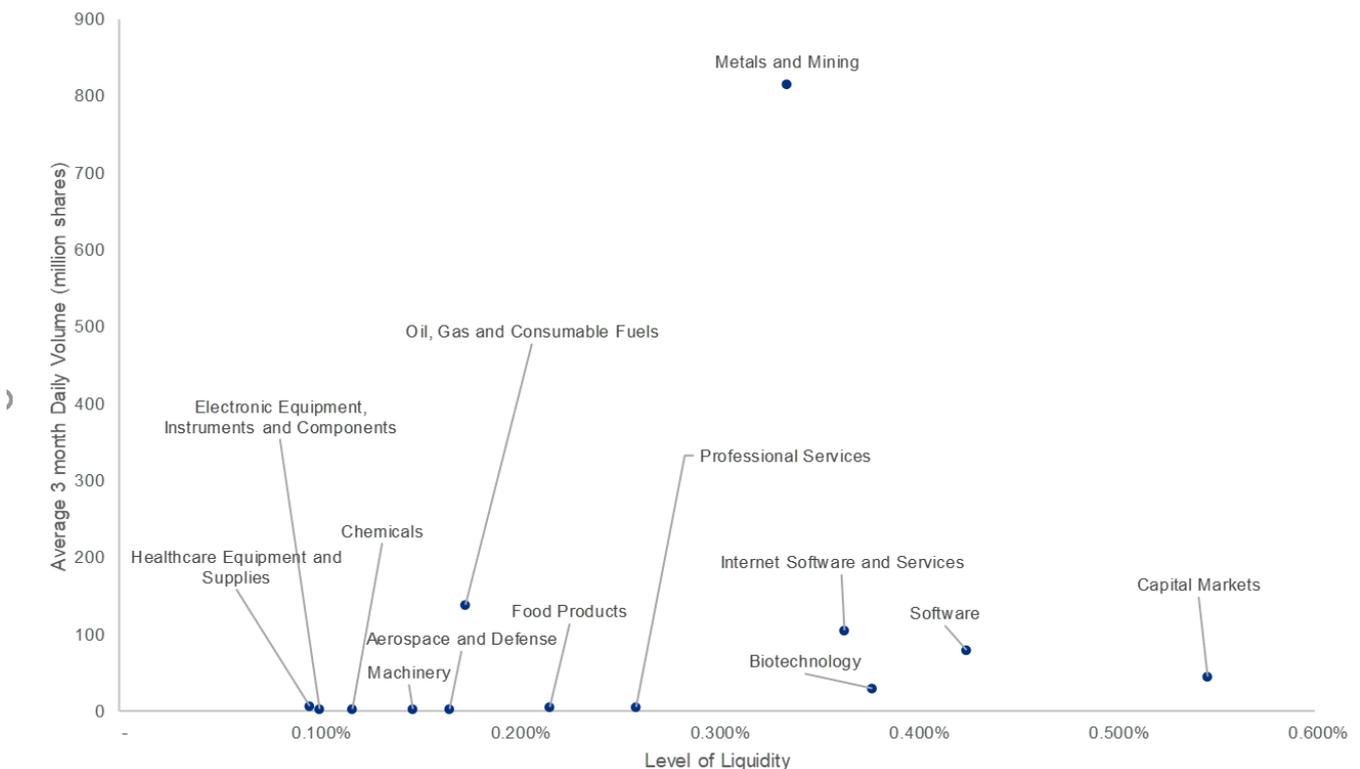
Tailwinds in the global private markets include expanded world of digitalisation, blockchain and tokenisation, growing cross border transactions and favourable regulatory environment.

WHAT DOES ALL THIS MEAN FOR A COMPANY CONTEMPLATING LISTING ON A STOCK EXCHANGE?

i. Illiquidity, Investor Short Termism, Limited Broker Support and Difficulty Raising Capital

A Company looking to list on a Stock Exchange should closely examine the reality of what is required to become and remain listed. There is no guarantee of raising new capital nor sourcing liquidity for a strong, supportive and long-term shareholder base as exemplified in the table below:

Liquidity of ASX Listed Companies with Market Capitalisation less than A\$50 million



Note: (1) Level of liquidity is defined as the aggregated 3 month daily volume expressed as a percentage of the aggregated shares outstanding
 (2) Only showing sectors with an aggregated market capitalisation of more than \$200 million

The above table also highlights the difficulty for some listed companies to get broker support and research coverage. They are left to languish with shares that only trade occasionally and a share price and market capitalisation which can move dramatically with only a small trade from a keen seller.

ii. Strategic & Operational Focus

Publicly listed companies sometimes alter their focus to align with material financial and operational announcements to the market. This can be, at times, detrimental to a business where the Board and Executive alter their behaviour, decision-making and execution to minimise any potential adverse impacts of announcements to its share price.

iii. Additional Resources

Publicly listed companies need to add costly infrastructure and overheads to ensure compliance with Listing Rules including continuous disclosure, audit and information transparency.

Importantly, senior management can become too focused on short-term share price performance rather than the long term success of the company.

iv. Costs

The costs to IPO and then remain listed on a Stock Exchange are ongoing and material, especially for smaller companies. Examples of ASX fees are set out below:

ASX FEES			
	A\$	A\$	A\$
LISTING FEES - COMPANIES	MARKET CAPITALISATION*	INITIAL FEE	ANNUAL FEE
	\$10M	\$75,338	\$26,376
	\$50M	\$118,388	\$34,654
	\$100M	\$156,057	\$45,001
	\$500M	\$339,018	\$61,729
	<i>*Calculation based on securities for which quotation is sought.</i>		
FEES FOR LISTED FUNDS (TRADING MARKET)			3.18 bps of FUM
	Up to A\$100M		
	A\$100M - A\$500M		\$31,800 + 2.27bps of FUM
Source: ASX website			

v. Shareholder Activism, Class Actions and Takeovers

Publicly listed companies can attract undue attention from shareholder activists, short sellers, litigation-funded class actions and opportunistic takeover offers which distract Management's attention away from the underlying business.

vi. Diversity, Climate Change, Gender Targets, Social Responsibility and "Social Licence to Operate"

Stock Exchanges are increasing their influence over how a company must operate in relation to diversity, gender targets, social responsibility, climate change and what is now termed the 'social licence to operate'. These overarching requirements have the potential to dramatically alter the focus and operation of the business and add increased risk of litigation for actual or perceived non-compliance.

PRIMARYMARKETS OFFERS COMPANIES AND FUNDS THE OPPORTUNITY TO:

- **REMAIN UNLISTED YET ACCESS NEW CAPITAL FROM THE PRIVATE MARKETS; AND**
- **PROVIDE ITS SHAREHOLDERS WITH A LIQUIDITY PLATFORM**

PrimaryMarkets is the Trading and Investment Platform for Unlisted Securities

PrimaryMarkets addresses what companies and Funds want from listing on a stock exchange – Liquidity and the ability to raise new equity. Our vision is to be the premier platform for buying and selling securities in private unlisted Companies and Funds.

PrimaryMarkets delivers Liquidity with end-to-end solution for trading existing securities, raising new capital with full transaction management and seamless execution from trading through to registry.

A technology platform:

- for **raising new capital – equity and debt.**
- to facilitate **secondary trading of existing securities** in a transparent, orderly environment.
- that **builds market awareness and research coverage** for unlisted companies and funds.
- that **embraces market participants** to improve liquidity across all unlisted securities and investments.
- that **expands the network of all Members.**

- that **raises the standard for trading** in unlisted securities and investments.
- **Cap Table Management.**
- **Online KYC/AML.**
- **Online Wholesale Investor Validation.**
- **Escrow Services.**

Expanding market reach

- *Direct Marketing to 105,000+ global Investor Network*
- *Leading Unlisted Equities Board for Asia*
- *Unlisted Property Funds platform for the A\$144B industry*
- *Equity and debt capital raises*
- *Growing sphere of strategic partnerships*
- *Hong Kong & Singapore in FY21*

Growing network effects

- *Critical mass and liquidity achieved*
- *Trust and confidence earned*
- *Portfolio investment behaviour emerging*

CONCLUSION

In summary, the advantages and benefits of transitioning to the public markets can be very slow to materialise or may never eventuate. Also, there are the ongoing imposts to a business to remain listed and the changes that a company must make structurally and operationally to maintain governance standards may not guarantee the ability to raise new capital or liquidity for shareholders.

Staying private longer, where capital is available and operating in an environment that allows a company to better prepare for the rigours of the public markets is becoming a growing, viable and attractive option.

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About PrimaryMarkets

PrimaryMarkets is the Trading and Investment Platform for Unlisted Securities offering end-to-end solution for trading existing securities, raising new capital with full transaction management and seamless execution from trading through to registry.

PrimaryMarkets is led by a highly professional Board and senior management team with strong marketplace experience. As an unlisted public company, it has a diverse shareholder base comprising institutional, professional and wholesale/sophisticated/accredited investors. PrimaryMarkets has an ever-growing base of Sellers, Buyers and Intermediaries. PrimaryMarkets offers solutions for global Sellers and Buyers with investments being located in most jurisdictions worldwide.

PrimaryMarkets Core Products and Services are:

- *Private Trading Hubs - Trading facility for existing securities in unlisted companies and Funds*
- *Secondary Trading - Multiple one-off trading opportunities for securityholders in private companies and Funds*
- *Raising New capital - Non-Exclusive distribution of new raisings by private companies and Funds to Wholesale Investors*
- *Investor Centres - Connecting private companies and Funds to Wholesale Investors creating liquidity and increasing market presence*
- *Corporate Advisory – A full suite of corporate advisor services to companies and funds*

For more information please contact: info@primarymarkets.com