

A guide to listing on the ASX

IPO Handbook 2024

Contents

Introduction	01
About BDO	03
The ASX at a glance	05
Making the decision to list.....	10
Preparing to list	11
Post listing.....	23
The BDO team.....	24
Recent transactions.....	25

Introduction

About

Listing on the Australian Securities Exchange (ASX) is a rewarding yet challenging process for a company. For many entities, going public can represent the pinnacle in a company's long history. For others, an IPO is the beginning of a new stage and catalyst for growth.

A listing brings prestige, exposure, financial reward and stakeholder engagement. However, going public can be a complex process, with additional reporting and regulatory requirements, increased scrutiny, additional drains on company time and resources, as well as a range of new stakeholders to manage and navigate. Effective planning and engaging the right advisers will ensure a successful process.

The best advice we can give is to seek advice early. Once the decision to list has been made, a well equipped team to help guide the listing process is essential. This guide outlines some of the key points to consider in a company's decision to list, such as:

- ▶ Is becoming a public company in line with the strategic objectives of management?
- ▶ Does the company have the resources, internal processes and structure to successfully operate as a public company?
- ▶ Is the existing ownership and management engaged in the process?

Complying with the demands of being a public company requires commitment, time and resources across many aspects of a company.

This guide also outlines some of the key components for a successful ASX IPO including:

- ▶ Appointing advisers
- ▶ The due diligence process
- ▶ Becoming a public company
- ▶ Drafting the prospectus

- ▶ Preparing and lodging a listing application
- ▶ Verification of the prospectus
- ▶ IPO marketing
- ▶ Offer period.

BDO has significant expertise in assisting companies with ASX listings, having worked on over 280 ASX IPOs since 2005. We offer a full suite of financial services to those considering an ASX listing such as audit, tax and advisory including independent accountant services. We are fully committed to helping our clients navigate through the listing process and beyond.

This guide will equip companies with a basic level of understanding of the IPO process in Australia and the associated regulatory environment. However, it should be not be relied upon as a substitute for legal or financial advice.

About BDO

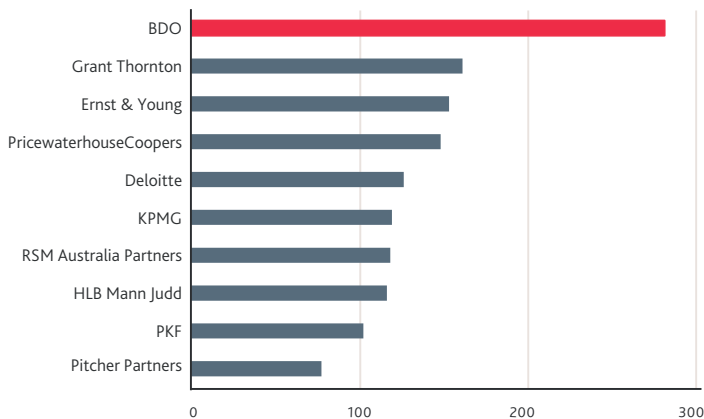
BDO in Australia

BDO is one of the world's leading accountancy and advisory organisations. We provide the capability and depth of expertise of a large global practice, with the approachability and relationship-driven style you expect from a local firm.

A trusted adviser with a global reach.

No matter where they are based, clients can draw on the skills of BDO member firms anywhere in the world. With comprehensive local knowledge, global resources, and a deep understanding of industry developments and international trends, we deliver personalised services and resources to every client.

Australian initial public offerings (listed) league table – 2005 to 2023



12 Offices



274 Partners



2,360 People

BDO international

BDO is one of the largest full service accounting and advisory firms in the world. We have 115,000+ people from over 1,700 offices in 166 territories. All BDO firms offer comprehensive knowledge and experience within an international context.

No matter where they are based, clients can draw on the skills of BDO firms anywhere in the world. With comprehensive local knowledge, global resources, and a deep understanding of industry developments and international trends, we deliver personalised services and resources to every client.

BDO international

US\$ 14*

billion
TOTAL REVENUE

166 COUNTRIES
1,776 OFFICES
115,661+ STAFF

*at constant exchange rates



**Network of the year
award winner**

International Accounting
Bulletin Awards 2018



The ASX at a glance

Overview

The ASX is one of the largest stock exchanges globally, attracting many successful local and international companies each year. It has been around for over 150 years and is one of the largest capital hubs in Asia Pacific, raising over \$68bn in capital in 2023.

The ASX provides access to capital for growing companies, whether small or large as well as acting as an exit platform for founders, private equity and venture capital firms.

The ASX is a diverse market with broad industry coverage. It is a liquid and active market with over 6.7 million share holders and an average of \$8bn in equities traded daily.

The strength of the ASX is founded on the Australian economy, which stands as the only economy to have experienced positive annual GDP growth consistently for over 29 years, prior to the impacts of COVID-19 and bushfires in 2020.

One of the largest pools of investable funds in Asia

Top 10 Exchanges globally
for raising capital

\$68 billion+ Capital raised
in 2023

100+ Average IPOs
over the last 4 years

2000 Listed
companies

46% International
investors

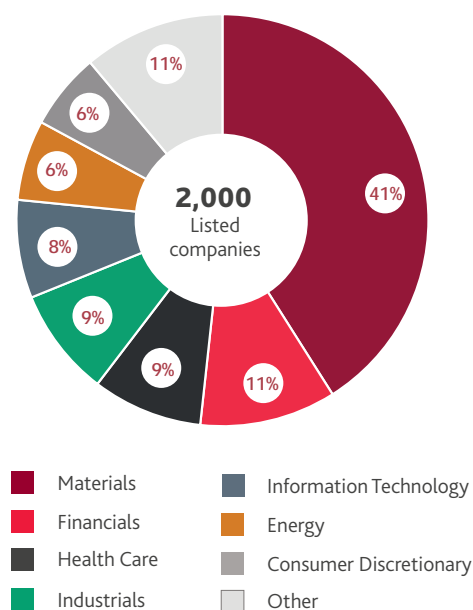
Top 5 largest pool of pension
funds globally

\$8 billion of equities traded daily*
*Per ASX 12-month rolling average
across ASX and Chi-X

The ASX at a glance

ASX listed companies by sector

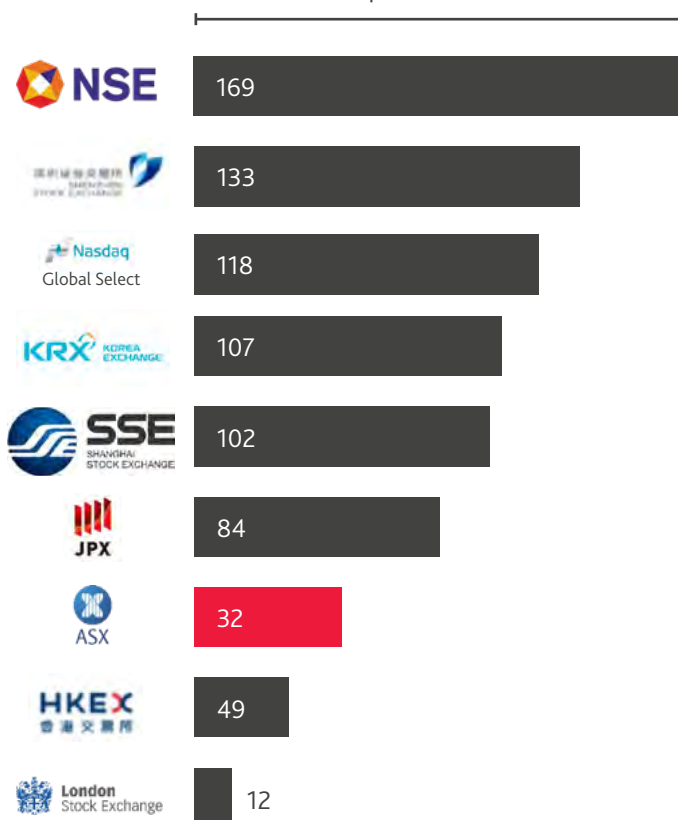
The ASX has a diverse base of listed companies, ranging from mining and resources to technology, healthcare and finance. Recent years have seen a shift towards more technology related businesses seeking an ASX IPO.



IPOs completed in 2023

The ASX is a highly active market, consistently being amongst the top exchanges globally in initial public offerings, and capital raised.

No. of IPOs completed in 2023



Source: S&P CapitalIQ and BDO analysis

Note: LSE includes AIM listings, Nasdaq includes Capital Market, Global Select and Global Market

The ASX at a glance

Foreign companies listing on the ASX

Foreign companies listing on the ASX

The ASX has increasingly become a destination for foreign/international companies to list, as it provides significant benefits to the traditional path of equity funding and access to one of the largest pools of institutional funds in Asia Pacific. There are currently over 150 foreign companies listed on the ASX.

Benefits to listing on the ASX



Approach

An IPO on the ASX as a foreign company can be done through either of the following methods:

- ▶ Establish a newly incorporated Australian holding company as the listing vehicle for the group
- ▶ Identify a shell company on the ASX (one that has no business operations), and transfer the existing business to the shell company (i.e. 'Backdoor' listing)
- ▶ List the existing foreign company on the ASX, in the form of a depositary receipt called a CHESS Depositary Interest (CDI). This occurs as the ASX does not typically settle foreign entity trades through its system. CDI holders receive the same economic benefits as traditional shareholder ownership would attract.

Financial reporting

The ASX provides a flexible reporting environment for foreign companies. Reporting would typically be in accordance with either International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP). An assessment of any departures from Australian Accounting Standards will need to be undertaken.

Where companies do not have a statutory obligation to prepare accounts in line with recognised accounting policies of their jurisdiction, they may be required to report in accordance with Australian Accounting Standards.

Australian directors

The Corporations Act 2001 (Cth) (Corporations Act) requires that a public company must have at least three directors, of which two must ordinarily reside in Australia. A foreign company's directors or proposed directors must satisfy the ASX good fame and character declaration. This requires the company to provide criminal history and bankruptcy checks for each director from each country they have resided in for the past ten years.



Making the decision to list

Why list on the ASX?

There are key considerations for any company deciding to list on the ASX.

- ▶ Does the company have the correct infrastructure - management, board, reporting, internal controls and appropriate staff - to manage the ongoing reporting requirements and scrutiny of being a listed entity?
- ▶ Is the management team engaged, and experienced to adequately support the company's objectives? Are they prepared for the additional time requirements, in managing and reporting for a public company?
- ▶ Does management have a well articulated long term vision and strategy for the company? How effectively can management articulate its operations, performance and history?

The decision to go public is based on a company's medium to long term objectives, and must be based upon a clear understanding of the listing process and post listing implications.

Therefore understanding some of the key pros and cons of becoming a public company is key in the decision to list.

Pros

Access to new capital – Listing on the ASX provides the opportunity to access capital both at the initial public offering stage, but also through subsequent capital raisings as a listed entity. Sourcing capital as a listed entity allows for both growth and capital restructure. Many companies deploy the capital raised to (among other things) make acquisitions, fund research and development, reduce gearing, marketing of goods and services or expand territory.

Exposure – Going public creates greater awareness of a company's goods and services, and allows shares to be held by a wider, more diverse shareholder group. The profile garnered from listing can provide an edge over competitors by enhancing prestige, brand, image, credibility and allowing companies to better execute growth strategies.

Employee compensation and engagement – Once listed, a public company can create shared based compensation plans for acquiring and retaining employees. These plans allow employees to be rewarded for the company's success via equity compensation.

Financial reward and liquidity for existing shareholders – For existing shareholders who execute a successful listing, a public market for a shareholding provides the potential for a reliable estimation of value, initial capital reward at IPO, and a liquid market to realise further value from selling shares into the market post listing.

Listed entities tend to achieve higher valuations – Listed entities tend to achieve higher valuations than private enterprises as a result of greater liquidity and a greater disclosure of information reduces uncertainty around performance and increases value.



Making the decision to list

Cons

Additional scrutiny – For a company that decides to list on the ASX, both in the listing process and post listing as a public company, going public shines a strong light on all matters in relation to operations, risks, executive compensation, contracts, suppliers and customers. Some or all of this information may be considered commercially sensitive.

Comprehensive rules exist around public disclosure both in the prospectus stage and post listing as a public company.

A company listed on the ASX is subject to comprehensive additional reporting requirements including annual and semi annual financial statements, senior executive statements and declarations, reporting on internal procedures and standards, and regular market updates on operational and commercial developments.

A listed company also comes under regular scrutiny to perform to expectations of shareholders and the market, and to justify strategic decisions made by management.

Time and resources – The additional scrutiny and reporting requirements as a public entity require extensive additional time and resources of executive and senior management. Many companies who decide to list on the ASX are required to make wholesale changes to accounting and reporting systems and structures to meet the requirements of public reporting.

Reduced flexibility of executive management and loss of control – As a public company, key company decisions require consultation and approval from shareholders or a board of directors. Obtaining shareholder approval can be a long and complex process.

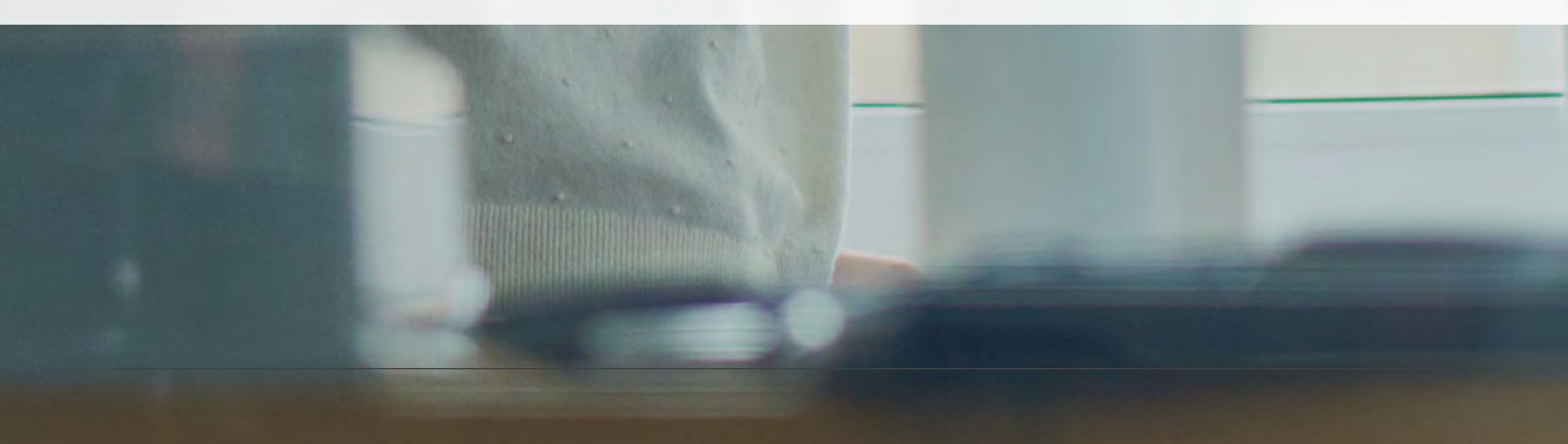
An IPO can also potentially dilute the existing ownership of the company. Issuing shares in the future through capital raisings, acquisitions or employee share schemes can also dilute existing ownership.

Cost – Significant costs can be incurred in the listing process including payments to underwriters, legal and accounting fees, marketing and printing costs and listing fees. As a public company, entities will also incur additional costs including public reporting, director costs and legal fees.

Expectations – Shareholders' expectations can create pressure on management to perform (short term focus v long term benefit).

Access to the public market – There is a limited window of opportunity to access the public market. This can sometimes necessitate a compromise on the IPO price.

Recruitment – Difficulty in recruiting good Non-executive Directors for the board.



Preparing to list

Key considerations for a successful listing process

Once the decision to list on the ASX has been made, preparing for the IPO process should begin immediately. Extensive planning including an IPO strategy is essential for a company to navigate the listing process.

Corporate and management structure

With the help of advisers, the listing company should evaluate and change the corporate and management structure as necessary. Corporate and capital structures should be appropriate for a listed company and be adaptable. Typically, most companies preparing to list need to analyse their management structures, ensuring that responsibilities and reporting frameworks are clearly defined.

In addition to this, selecting appropriate independent and executive directors, and an experienced board is essential.

The company vision

Management and their advisers must decide on how to present the company being offered to investors. It is essential to communicate the history of the business, clearly define and explain the business model, current operations and performance, the key risks inherent in the business and the future vision and strategic plan.

This review will form the basis of the prospectus and investment thesis to investors.

Select an experienced IPO team

Taking a company public requires an experienced IPO team with specialised expertise.

Bringing together a strong internal and external team (underwriters, auditors, tax experts, independent accountants, lawyers and lead advisers) is paramount to a successful listing.

Due diligence

Any company looking to list is required to undertake a formal, structured due diligence process. The due diligence process ensures that information provided to potential investors in a prospectus is accurate and not misleading and complies with all regulations including the Corporations Act.

The due diligence process also provides a defence against potential liability for the company and its advisers.

Timeline and process framework

Executing an IPO, from engaging advisers, to preparing company documentation and due diligence, through to completion is an intensive process for the company and the IPO team. Drafting a detailed milestone timeline, assigning specific responsibilities and having effective project managers in place is the best way to control and execute a listing process.

Operating as a public entity prior to the IPO

In addition to selecting the appropriate board and management teams, transforming company systems, structures and processes prior to listing will maximise chances of a successful process and life post IPO.

- ▶ Making sure that internal processes such as financial reporting, controls and information systems are robust
- ▶ Preparing appropriate remuneration and stock incentive plans for employees
- ▶ Creating adequate corporate governance planning
- ▶ Ensuring that your company is compliant with the whistleblower laws passed under the Treasury Laws Amendment (Enhancing Whistleblower Protections) Act 2019.

Preparing to list

Strength of current management team

A successful IPO will be underpinned by a capable management team. The CEO and CFO will be heavily involved in investor roadshow presentations, so they must have a detailed understanding of the business, its growth story and be compelling presenters.

Material contracts in place that are free of issues

Material contracts to operate the business should be in place prior to prospectus lodgement. In addition, all existing material contracts should be reviewed to determine termination or other consequences arising from the IPO.

Other considerations

A risk committee can be an effective way to independently assess key risks of the company. The risk committee is often a part of the audit committee and is responsible for evaluating risks and deficiencies in internal controls, and in doing so providing recommendations to the board.

It is recommended that listed companies have a diversity policy in place, which includes goals and measurable metrics for the board and senior management. It is generally expected that at each financial period end the company will report the gender composition of both the board and senior management as well as the wider group.

Listing under 'general admission'

Companies seeking an ASX listing must satisfy the requirements for 'general admission' to the Exchange. Among other conditions, key criteria that must be met include:

- ▶ Satisfy either the profit test or assets test
- ▶ Minimum shareholder spread
- ▶ Minimum free float requirements
- ▶ Constitutional and corporate governance conditions
- ▶ Lodgement of a prospectus
- ▶ Satisfaction of ASX's good fame and character requirements
- ▶ Other general requirements.

Whilst this guide focuses on the requirements of a traditional ASX listing under general admission, additional listing options include:

- ▶ Foreign companies already listed elsewhere can seek a dual listing on the ASX under foreign exemption
- ▶ Companies can issue debt securities as a debt issuer.

Preparing to list

ASX admission requirements (cont.)

Profit and assets test

Companies listing on the ASX must meet the financial requirements of either the profit or assets test. These tests must comply with the set of accounting rules for public companies known as the Australian Accounting Standards (AASB) that comes under the International Financial Reporting Standards (IFRS).

Profit test

- ▶ At least \$1 million net profit in aggregate over the last 3 financial years
- ▶ Net profit of \$500,000 for the 12 months up to a date no more than 2 months prior to applying for listing
- ▶ Main business activity must have been the same for the last 3 years
- ▶ The entity must be a going concern
- ▶ The directors must provide the ASX a statement that the business continuing to earn profit up to the date of application
- ▶ Submission of audited accounts for the last three full financial years
- ▶ If the company applies for admission less than 90 days, or more than 6 months and 75 days after the end of its last financial year, then the ASX also requires the submission of audited or reviewed accounts for its most recent half year.

Assets test

- ▶ Net tangible assets of at least \$4 million (after deducting fundraising costs) or a market capitalisation of at least \$15 million
- ▶ Less than half of the company's total tangible assets (after raising funds) is available in cash or in a form readily convertible to cash²
- ▶ Working capital of \$1.5 million
- ▶ The company has sufficient working capital for its stated objectives
- ▶ Submission of audited accounts for the last two financial years
- ▶ If the company applies for admission less than 90 days, or more than 6 months and 75 days after the end of its last financial year, then the ASX also requires the submission of audited or reviewed accounts for its most recent half year.



Preparing to list

Minimum shareholder spread

The company must satisfy the required minimum shareholder spread to ensure there is sufficient liquidity in the securities of the company. There must be at least 300 non-affiliated security holders, each of whom holds a parcel of the main class of securities with a value of at least \$2,000 and 50% held by unrelated parties.

Minimum free float requirements

The company must have at least 20% of its main class of securities held by shareholders who are not subject to escrow (either mandatory or voluntary) or held by related parties or affiliates.

Constitution & corporate governance

The ASX requires listed companies to have a constitution that is in line with the ASX Listing Rules. Additionally, the ASX has established the ASX Corporate Governance Council (Council), which provides a number of recommendations. These are contained within the Council's Principles of Good Corporate Governance and Recommendations.

The Council's recommendations are not mandatory or prescriptive, but rather provide a guide to best practices. Whilst these are not 'one size fits all', the ASX expects reasonable explanation if a company does not follow a recommendation or deems it as inappropriate.

Board of directors

The Council has made the following recommendations regarding the composition of the board of directors.

- ▶ Majority of the board of directors be independent
- ▶ The chairperson be independent
- ▶ The role of the chairperson and chief executive officer (CEO) not be performed by the same person.

The board of directors establish a nomination committee (for the purpose of examining and determining the company's selection, appointment and evaluation process of directors).

The typical make up of a successful Board includes an industry leader as Chairman and other Non-executive Directors with appropriate skills.

Audit committee

The audit committee is responsible for the appointment of external auditors and reviewing the quality, scope and effectiveness of the audit. The Council recommends that the audit committee be comprised of:

- ▶ At least three members
- ▶ A majority of non-executive directors (independent non-executives are preferred)
- ▶ An independent chairman/chairperson of the board.

Whistleblower requirements

Under the Treasury Laws Amendment (Enhancing Whistleblower Protections) Act 2019, all public companies, large proprietary companies and proprietary companies that have become large proprietary companies within the financial year are required to:

- ▶ Have a Whistleblower Policy in place with information about the protections available to Whistleblowers.
- ▶ Ensure the Whistleblower Policy is available to all persons who are eligible Whistleblowers in relation to the company.

Effective 1 January 2020, the ASX Guidelines now require listed companies to also have an anti-bribery policy, and publicly disclose both policies in their annual report or on their website.

General requirements

In addition to the specific requirements and Council recommendations, the ASX takes a broader view of the company seeking to list. As such, they must be satisfied with the following:

- | | |
|------------------------------------|--|
| ▶ Capital structure | ▶ Stage of development of the business |
| ▶ Board experience | ▶ Geography of operations |
| ▶ Experience of auditors | ▶ Relationships with related parties and affiliates. |
| ▶ Legality of operations | |
| ▶ Structure of business operations | |

Financial statements and reporting

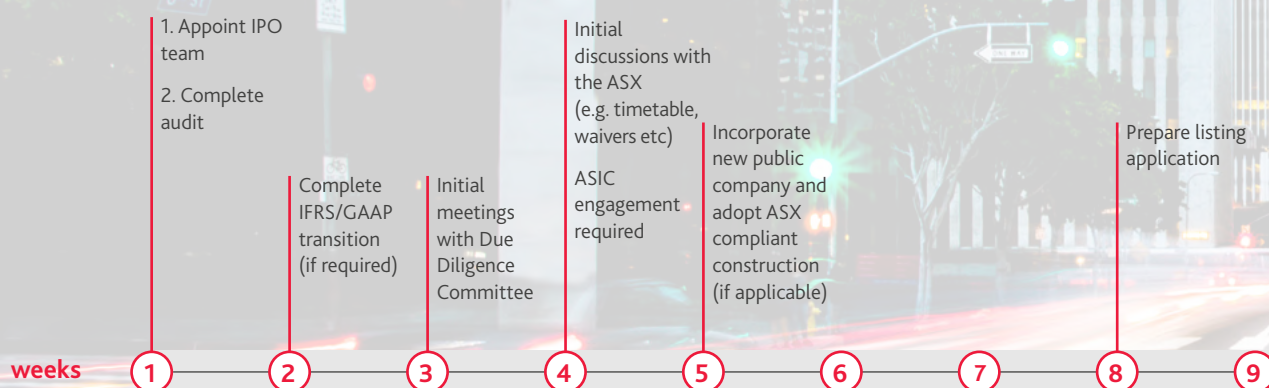
As part of the IPO process, you must ensure you are compliant with Australian Accounting Standards. You may need to undertake a transition to this IFRS-compliant reporting framework that usually involves gathering additional information for the restatement of previously reported financial information. Items that usually require adjustment to ensure compliance with Accounting Standards include:

- ▶ Classifying convertible notes as debt,
- ▶ Capitalising leases into the balance sheet,
- ▶ Amending the timing of revenue recognition, and
- ▶ Expensing the value of equity compensation awards.

Preparing to list

IPO timeline

The length of the overall listing process will vary depending on the company. Often, the timeline will depend on effective planning, experience and capability of advisers, and the readiness of the company's existing internal controls and processes.



ONGOING DUE DILIGENCE TO ENSURE PROSPECTUS REMAINS COMPLIANT WITH LAW

DRAFTING PROSPECTUS

Investigating accountant (BDO)

- ▶ Historical due diligence
- ▶ Review audit work papers
- ▶ Review accounting policies
- ▶ Review forecast financial information
- ▶ Review pro forma adjustments
- ▶ Attends Due Diligence Committee (DDC) meetings.



Commence marketing to institutional investors

DDC provides formal sign-off on prospectus and all reports, opinions and sign-offs from advisers

1. Lodge prospectus with ASIC
2. Lodge listing application to ASX

Marketing and offer opens

Offer closes

Lodge pre-quotations with ASX

ASX listing finalises shares allocated and trading begins

10 11 12 13 14 15 16 17 18 19 → weeks

VERIFICATION

ASIC REVIEW PERIOD

PROCESSING OF LISTING APPLICATION BY ASX

OFFER PERIOD

Preparing to list

IPO timeline

Engaging an experienced and capable IPO team is essential to a successful listing.

Advisers

Investment bank or stockbroker

Responsible for managing the IPO process, including the timetable, prospectus drafting, marketing, pricing of the offer and capital raising.

Corporate adviser

In some circumstances, particularly for more complex IPOs (e.g. involving a roll up or a dual track process), a corporate adviser is engaged to project manage the IPO, and/or assist with prospectus drafting and/or compilation/preparation of the financial information. This role is in addition to the investigating accountant (and one firm cannot perform both roles due to independence requirements). BDO is often involved in a corporate advisory role when not appointed in the ILAR role, to assist with compiling financial information and other aspects where they fall outside the scope of the Lead manager.

Lead manager

The lead manager is typically an investment bank or stockbroker responsible for raising capital and managing the IPO process - including the timetable, input into prospectus drafting, marketing and pricing of the offer.

Underwriter

The underwriter (who can often be the corporate adviser) is a subscriber to the issue of shares. The underwriter will buy the short fall in shares that are not subscribed to by investors at IPO. Underwriting is not mandatory, but typically occurs for major IPOs on the ASX.

Legal adviser

The legal adviser assists in managing and chairing the due diligence process, performs legal due diligence, drafts agreements related to the IPO, advises on the content and disclosure in prospectus and liaises with the ASX and the Australian Securities and Investment Commissions (ASIC).

IFRS adviser

The IFRS Advisory expert will assist to prepare any position papers that may be required on technical accounting matters. The IFRS adviser is required to be a third party technical accountant (in addition to the investigating accountant) to cover off on independence requirements. BDO regularly provides IFRS advice when not in the ILAR role.

Auditor (BDO)

The auditor will conduct the audit and review the historical financial information. Typically, this forms part of the IPO preparation process and occurs before the company begins assembling the broader IPO team and kicking off the process.

Tax adviser (BDO)

The tax adviser conducts tax due diligence for the historical review period and presents findings to the DDC. The tax advisory will prepare a report to be included in the prospectus, commenting on tax implications for Australian investors.

Investigating accountant (BDO)

The investigating accountant will produce an Independent Limited Assurance Report (ILAR) for inclusion in the prospectus. The ILAR is prepared in accordance with the Standard on Assurance Engagements ASAE 3450 - Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information and provides assurance in relation to historical and forecast financial information included in the prospectus (on a statutory and pro forma basis).

The investigating accountant conducts financial due diligence, reviews pro forma financial information and evaluates the reasonableness of underlying forecast assumptions.

The investigating accountant will also review disclosure in the prospectus with a focus on the financial section.

Technical experts

Required for any additional disclosure areas in the prospectus. This usually includes expert reports for businesses in mining/natural resources, biotech, medical and real estate.

Share registrar

Assists with the settlement and allotment of the offer. They will also manage the shareholder register post completion.

Public relations

Manages all public relations including both media and investor correspondence.

Preparing to list

Complementary IPO services

There are many complementary services that BDO can provide to assist a company with its IPO.

People Advisory

People play an important role in a successful IPO process. Our People Advisory team works with organisations to set their organisations cultural tone, execute a people strategy, develop leadership skills and capability, align remuneration and develop performance management frameworks.

ESG

BDO's ESG advisory team may be able to assist with reporting on ESG considerations for a prospectus and follow-on reporting.

Whistleblower

The whistleblower program adviser is able to assist you to develop a Whistleblower Policy and procedures, review existing whistleblower policies and procedures, provide whistleblower reporting services and conduct independent investigations of whistleblower reports. Failure to have a Whistleblower Policy in place is an offence of strict liability with a penalty of 60 penalty units (currently \$12,600 for an individual or company). This will be enforced by ASIC.

Financial Management Consulting

When supporting clients through the IPO readiness process, BDO's Financial Management Consulting team undertakes an efficient and detailed review of the organisation's current financial management practices. The team identifies the gaps to audit and IPO readiness while developing a pragmatic, fit-for-purpose readiness action plan for your organisation.



BDO has extensive experience in providing audit, tax, advisory and investigating accountant services to companies seeking ASX listings.

Preparing to list

The due diligence process

Requirement for due diligence

Disclosure documents to investors, including prospectuses, are heavily regulated in Australia. Contraventions of the Corporations Act, including misleading and material deficiencies in the document, carry significant civil and criminal penalties.

These penalties apply to those involved in preparing the prospectus including company directors, management and any person who has consented to have a statement in the prospectus attributed to them (i.e. members of the Due Diligence Committee (DDC)).

However, properly managed and effective due diligence will identify the material matters required for inclusion in the prospectus as well as form a 'due diligence defence', which protects persons from liability of deficiencies in disclosure documents.

The Due Diligence Committee (DDC)

The DDC is established at the beginning of the IPO process with the primary role of conducting and managing the due diligence process. The DDC is formed to ensure the appropriate disclosures, statements, facts and risks are presented in the prospectus for investors. The composition of the DDC usually includes:

- ▶ A chairperson (usually the lawyers or an independent director)
- ▶ Company representatives including directors and senior management
- ▶ Corporate advisers
- ▶ Lawyers
- ▶ Investigating accountant
- ▶ Tax adviser
- ▶ Any additional experts required for prospectus disclosure.

Each member is required to undertake enquiries in their given area of expertise.

A Due Diligence Planning Memorandum (DDPM) governs the operation of the DDC. It describes the prospectus content and liability regime and sets out a process for the committee to develop a due diligence program.

Preparing to list

Prospectus

Verification

In the final weeks before lodging the prospectus with ASIC, the DDC will conduct verification of the document (usually coordinated by the lawyers). This involves verifying every material statement and financial disclosure against source documentation. Where statements are of opinion, forecasts or expectations of future performance, the verification will take the form of representation by management. Prospective financial information is heavily governed by regulation in Australia and requires assumptions to be based on 'reasonable grounds' rather than best estimates or assumptions.

Ongoing due diligence

Post finalisation and lodgement of the prospectus, the due diligence process must still remain active. This is to ensure the DDC is made aware of any material subsequent events that may impact information or disclosure contained in the prospectus.

Any material deficiencies to the initial lodged prospectus can be amended within a supplementary or replacement prospectus. A supplementary prospectus will amend a certain part of the original prospectus, whilst a replacement prospectus replaces the original prospectus in its entirety.

Disclosure of general information

The ASX Listing Rules require that companies seeking an ASX listing must issue and lodge a prospectus with ASIC.

A prospectus must contain all the information about the company that investors and their advisers would reasonably require to make an informed assessment and decision regarding a potential investment. This includes:

- ▶ The assets, liabilities, financial position, performance, profits and losses and prospects of the company
- ▶ The rights and liabilities attached to the securities on offer.

To satisfy the disclosure requirement of general information the contents of the prospectus will typically be formed based on a number of factors including the nature of the business, market practice, regulatory guidance and the ASX Listing Rules.

Disclosure of specific information

In addition to the disclosure of general information, the Corporations Act, ASIC guidance and ASX Listing Rules contain specific disclosure requirements. These include, but are not limited to:

- | | |
|-------------------------------------|---|
| ▶ An investment overview | ▶ Details of the board and management including their remuneration and security interests |
| ▶ Terms and conditions of the offer | ▶ Related party arrangements |
| ▶ The business model | ▶ Interests of advisers. |
| ▶ Industry overview | |
| ▶ Risks | |
| ▶ Financial information | |

Preparing to list

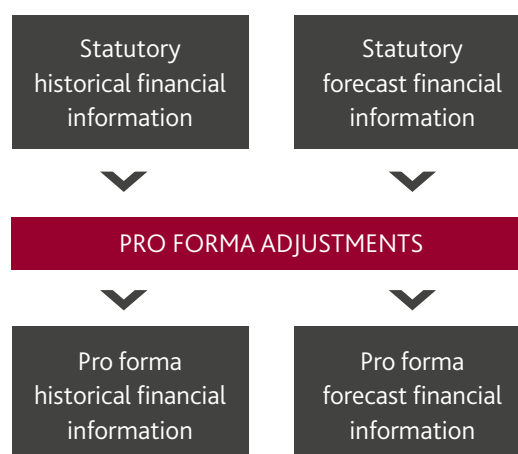
Prospectus (cont.)

Financial information section

The financial information presented in the prospectus is arguably the most important section to investors. It includes:

- ▶ Statutory historical financial information
- ▶ Pro forma historical financial information
- ▶ It may include a short term forecast (typically 6 to 24 months) disclosed as statutory forecast financial information and accompanied by pro forma forecast financial information
- ▶ Management discussion and analysis on historical trends, drivers, key metrics and any other financial or operating activities.

The company is responsible for drafting the financial information section, which is then reviewed by the investigating accountant. Below is a summary of the key components of the financial information section.



Statutory historical information

The company is required to disclose historical audited and/or reviewed financial information that has been prepared in accordance with relevant IFRS/GAAP.

This may take the form of disclosing the complete historical financial statements or simply reconciliations of key line items to the pro forma historical information (e.g. net profit and loss, and net cash flows).

Statutory forecast information

The inclusion of forecast information is at the discretion of the company. If included, the company is also required to disclose the key forecast assumptions.

ASIC issued Regulatory Guide 170, which provides guidance over prospective financial information. ASIC requires that forecast assumptions be based on 'reasonable grounds' and in the absence of such, may be considered misleading.

Pro forma historical information

Pro forma adjustments are processed through the companies financial statements to:

- ▶ Reflect its operating structure as though it had been a listed company historically (e.g. incurred additional costs) together with the removal of non-recurring events
- ▶ Reflect the impact of the changes in capital structure that will take place as part of the offer.

Pro forma forecast information

Similar to the pro forma historical information, pro forma forecast information is required to be disclosed in the prospectus showing any pro forma adjustments to the statutory forecast information.

A man with grey hair, wearing a dark pinstripe suit, white shirt, and patterned tie, is looking off to the side with a slight smile. He is holding a tablet computer in his hands. The background is blurred, showing an indoor setting with warm lighting.

Financial information considerations

Past or future acquisitions

In drafting the financial information section of the prospectus the company should consider the implications of any past or future acquisitions. This may require additional disclosure, and/or submission of audited accounts of the acquired entities.

Less than two years operating history

Companies with less than two years operating history are still able to list on the ASX under the asset test. The disclosure of financial information varies depending on how long the business has been in existence.

Non-financial metrics

Companies often choose to disclose non-financial metrics in the financial information section. This is usually discussed under the "management discussion and analysis" section. Management representation will be required for verification of non financial information.

Post listing

Overview

Companies considering listing should be aware of the continuing obligations post IPO as a public entity as governed by the ASX listing rules:

Financial reporting

Listed entities on the ASX are required to provide to the market audited financial reports for annual, semi-annual and, for some entities, quarterly periods.

Disclosure of material matters

The board should be aware of the continuous disclosure requirements to both shareholders and the regulators, as governed by the Corporations Act and the ASX Listing Rules.

All listed entities must continuously disclose to the ASX any information that could reasonably have a material impact on the price and value of the listed securities. There also exist specific rules around disclosure of director's interests, shareholdings and other matters relevant to shareholders.

Significant transactions and related party transactions

Listed entities are required to seek formal shareholder approval for significant transactions such as acquisitions or disposals.

Shareholder approval is also required for transactions between the company and directors or related parties.

Corporate governance

The ASX provides best practice guidelines for corporate governance. Listed companies must explain in annual reporting any cases where and why these guidelines are not adhered to.

Share issues

Listed entities are able to issue new securities (up to 15% of existing share capital) over a rolling 12 month period. Shareholder approval or specific exemption is required to issue more shares than this limit.

Under certain conditions small and mid cap entities may issue further a further 10% of share capital.

Foreign entities

Foreign companies are generally required to comply with the same obligations as domestic entities.

In some cases, the ASX requires additional disclosure or will waive certain obligations.

Some foreign entities are permitted to report to the market in their home currency, and/or under their local generally accepted accounting principles. This is done in cases where the equivalent accounting policies are considered adequate for shareholder disclosure (e.g. US GAAP).

The BDO team

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Recent transactions

A selection of our credentials

The BDO team has significant experience in the provision of IPO services for a large number of clients across a range of industries. We have extensive experience in providing IPO assistance to Australian and international businesses and our client base ensures that we are well equipped to meet all of your service needs.

Gold Hydrogen Ltd

Market Cap. A\$63m
Energy

Lumos Diagnostics Holdings Ltd

Market Cap. A\$187m
Healthcare Equipment & Services

Dra Global Ltd

Market Cap. A\$214m
Capital Goods

Gefen International Ai Ltd

Israel
Market Cap. A\$127m
Software & Services

Butn Ltd

Market Cap. A\$80m
Diversified Financials

Zoom2u Technologies Ltd

Market Cap. A\$34m
Transportation

Cluey Ltd

Market Cap. A\$143m
Online Education

Zebit, Inc

USA
Market Cap. A\$108m
eCommerce

Straker Translations Ltd

New Zealand
Market Cap. A\$79m
Media & Entertainment

Atomo Diagnostics Limited

Market Cap. A\$112m
Healthcare Equipment & Services

Control Bionics Limited

Market Cap. A\$50m
Healthcare Equipment & Services

Microequities Asset Management Group Limited

Market Cap. A\$106m
Diversified Financials

Life360 Inc

USA
Market Cap. A\$689m
Software & Services

Revasum Inc

USA
Market Cap. A\$153m
Semiconductors & Semiconductor Equipment

Updater Inc

USA
Market Cap. A\$85m
Application Software

Pivotal Systems Corp Inc

USA
Market Cap. A\$206m
Semiconductors & Semiconductor Equipment

Leo Lithium Limited

Market Cap. A\$838m
Metals & Mining

Us Student Housing Reit

USA
Market Cap. A\$106m
Real Estate Investment Trusts

Patriot Battery Metals Inc

CANADA
Market Cap. A\$553m
Mineral Exploration

Maas Group Holdings Limited

Market Cap. A\$530m
Diversified construction materials, civil construction and hire, manufacturing and real estate

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NORTHERN TERRITORY
QUEENSLAND
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