

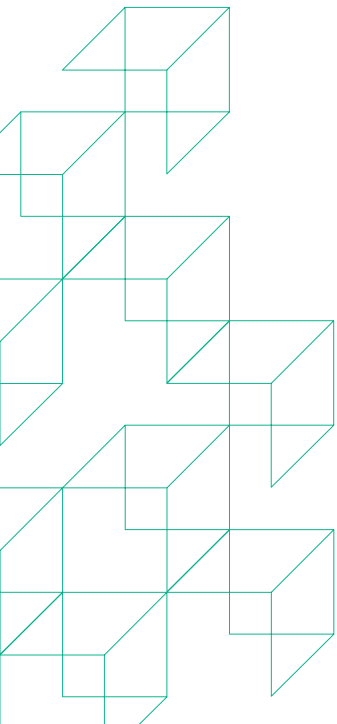


An Expert's Guide to the Complexities of **Capital Raising** in Australia

September 2024

Contents

Understanding the Australian Financial Landscape	4
Methods of Capital Raising	6
Regulatory Compliance and Legal Considerations	8
Strategic Planning and Financial Management	10
Engaging with Investors	12
Managing the Impact on Existing Shareholders	13
Leveraging Professional Advisors	14
Risk Management	15
Recent Data	16
Long-term Considerations	17
Automic's Capital Market Services	19
About Automic	20





Raising capital is a critical milestone for any business aiming to expand, innovate, or restructure. In the Australian financial markets, the intricacies of capital raisings require careful navigation to ensure success.



Understanding the Australian Financial Landscape

Australia's financial market is characterised by a robust regulatory framework, a sophisticated investment community, and a dynamic economic environment.

The primary venue for capital raising in Australia is the Australian Securities Exchange (ASX), but other platforms and methods also play significant roles.

Economic and Market Conditions

Understanding the broader economic context is essential. The Australian economy, influenced by factors such as commodity prices, global trade relationships, and domestic economic policies, impacts investor sentiment and market conditions. Regularly reviewing reports from the Reserve Bank of Australia (RBA) and economic forecasts can provide valuable insights.



Investor Sentiment

Investor sentiment is a barometer of market mood. It can be influenced by global events, local economic data, corporate earnings reports, and geopolitical developments. Monitoring indices like the ASX All Ordinaries Index and investor surveys can help gauge sentiment and determine the optimal timing for a capital raise.



Methods of Capital Raising

Choosing the right method for raising capital depends on various factors including the company's stage of growth, financial health, and strategic goals. Here are the primary methods:

01

Equity Financing

Equity financing involves issuing new shares to investors in exchange for capital. This method is often preferred by companies looking to avoid debt and its associated repayment obligations. However, it results in dilution of ownership for existing shareholders.

Advantages

- ✓ No repayment obligation or interest costs.
- ✓ Strengthens the balance sheet.
- ✓ Potentially improves liquidity of shares.

Disadvantages

- ⊗ Dilution of existing shareholders' equity.
- ⊗ Possible undervaluation if market conditions are not favourable.



02

Debt Financing

Debt financing involves borrowing funds through loans or by issuing bonds. This method can be beneficial for companies with steady cash flows capable of meeting interest payments.

Advantages

- ✓ No dilution of ownership.
- ✓ Interest payments are tax-deductible.

Disadvantages

- ⊗ Repayment obligation with interest.
- ⊗ Increased financial risk during economic downturns.

03

Convertible Securities

These are hybrid instruments that can be converted into equity at a later stage. They offer a compromise between debt and equity financing.

Advantages

- ✓ Flexibility of conversion to equity.
- ✓ Initially lower cost compared to straight equity.

Disadvantages

- ⊗ Potential dilution upon conversion.
- ⊗ Complexity in terms and valuation.



Regulatory Compliance and Legal Considerations

Navigating the regulatory landscape is crucial. The Australian Securities and Investments Commission (ASIC) and the ASX have stringent requirements to protect investors and maintain market integrity.

Prospectus Requirements

For public offerings, a prospectus must be lodged with ASIC. This document must provide detailed information about the company's business, financial performance, risks, and the terms of the offer. Ensuring the accuracy and completeness of this document is paramount to avoid legal repercussions and build investor trust.





Continuous Disclosure Obligations

Public companies must adhere to continuous disclosure obligations, ensuring that any information that could impact the share price is promptly disclosed to the market. This transparency helps maintain investor confidence and market integrity.

Corporate Governance

Strong corporate governance practices are essential. This includes having a well-composed board of directors, transparent policies, and rigorous internal controls. Good governance can enhance a company's reputation and attract investors.

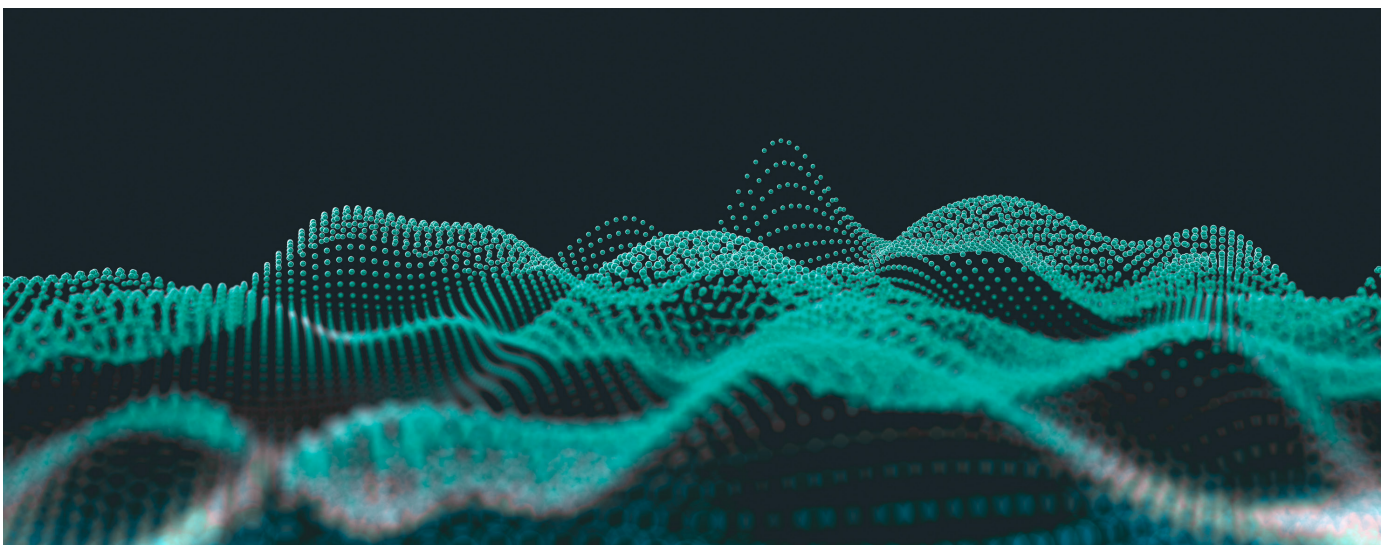


Strategic Planning and Financial Management

Effective capital raising requires meticulous planning and sound financial management.

Valuation and Pricing

Determining the correct valuation and pricing of securities is critical. Overvaluation can deter investors, while undervaluation can dilute ownership too much. Engaging financial advisors or investment banks to conduct thorough valuations using various methodologies (e.g., discounted cash flow, comparable company analysis) can provide a fair and attractive price for investors.





Use of Funds

Having a clear, strategic plan for how the raised capital will be utilised is crucial. Whether it's for expanding operations, entering new markets, research and development, or debt repayment, investors need to see a tangible and strategic use of funds that will drive future growth and profitability.

Financial Health and Projections

Presenting strong financial health and realistic future projections builds investor confidence. This includes providing audited financial statements, detailed business plans, and growth forecasts. Transparency about risks and mitigation strategies also helps in gaining investor trust.



Engaging with Investors

Effective communication and engagement with potential investors are key to a successful capital raise.

Investor Roadshows and Presentations

Conducting roadshows and presentations allows direct interaction with potential investors. These events provide an opportunity to present the company's vision, strategy, and financial health. Tailoring presentations to different types of investors (institutional vs. retail) can maximise impact.

Marketing and Public Relations

Leveraging marketing and public relations to create interest around the capital raise can attract a broader audience. This includes press releases, social media campaigns, and engaging financial media to highlight the company's strengths and opportunities.

Transparency and Communication

Maintaining open lines of communication with investors throughout the process is crucial. Regular updates, clear explanations of how funds will be used, and addressing investor concerns promptly can build trust and encourage investment.

[FIND OUT MORE ABOUT AUTOMIC OFFERINGS](#)



Managing the Impact on Existing Shareholders

Raising capital, particularly through equity financing, impacts existing shareholders. Managing this impact requires careful consideration.

Dilution Mitigation

Offering existing shareholders the first right of refusal to purchase new shares can help mitigate dilution. This approach shows consideration for current investors and can maintain their loyalty.

Shareholder Communication

Transparent and frequent communication with existing shareholders about the reasons for the capital raise, its benefits, and how it aligns with long-term strategy is essential. This can alleviate concerns about dilution and ensure continued support.



Leveraging Professional Advisors

Engaging experienced professionals can significantly enhance the success of a capital raise.

Financial Advisors and Investment Banks

These experts provide valuable services, including market analysis, valuation, pricing, and structuring the capital raise. Their experience and network can help in effectively positioning the company to potential investors.

Legal Advisors

Ensuring compliance with all legal and regulatory requirements is crucial. Legal advisors can help navigate complex regulations, prepare necessary documentation, and ensure that all disclosures are accurate and complete.

Corporate Governance Advisors

Advisors can assist in strengthening corporate governance practices, which is a critical factor for investor confidence. This includes board composition, risk management, and compliance with regulatory standards.

Professional Registry Advisors

Our capital markets team are expert registry advisors who support clients, offering tailored assistance in share registry management, corporate actions, and regulatory compliance. We help streamline processes, mitigate risks, and enhance shareholder communication to meet capital raising objectives effectively.



Risk Management

Identifying and mitigating risks associated with capital raising is essential.

Market Volatility

Market volatility can impact investor sentiment and the success of a capital raise. Implementing hedging strategies and preparing for different market scenarios can help mitigate this risk.

Regulatory Changes

Staying abreast of potential regulatory changes is crucial. Engaging with industry bodies and legal advisors can help anticipate and prepare for any changes that could affect the capital raising process.

Execution Risk

The process of raising capital is complex and fraught with execution risks. Having a detailed project plan, clear roles and responsibilities, and contingency plans can help manage these risks effectively.



Recent Data

From the June 2024 ASX Group Activity Report

- In June 2024, total new capital quoted was \$8.1 billion, compared to \$4.3 billion in the previous corresponding period (pcp).
- Total net new capital quoted was \$5.3 billion, up 67% on the pcp. On a June YTD basis total net new capital quoted was \$27.8 billion, up 95% on the pcp.

Listings and Capital Raisings	June 2024 Financial YTD	June 2023 Financial YTD
Total new capital quoted (\$million)	81,746	51,722
Change on pcp	58%	
Total net new capital quoted (\$million)	27,802	14,272
Change on PCP	95%	

Source: ASX Market Announcement 4 July 2024



Long-term Considerations

Beyond the immediate capital raise, there are long-term considerations to ensure sustained success.

Post-Raise Integration

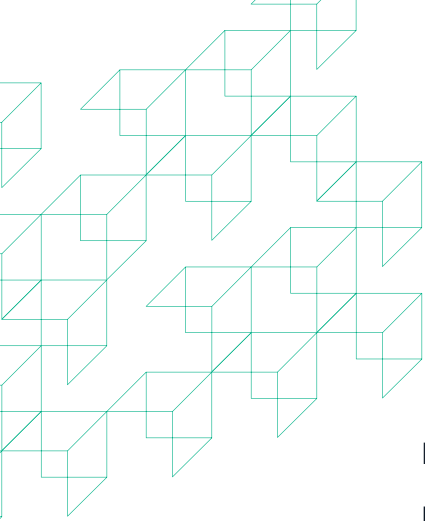
Effectively integrating the raised capital into the business requires disciplined execution. This includes monitoring the use of funds, measuring impact against strategic goals, and adjusting plans as necessary.

Investor Relations

Building and maintaining strong investor relations is a long-term endeavour. Regular updates, transparent reporting, and engaging with investors beyond the initial raise can build lasting trust and support.

Strategic Flexibility

Maintaining strategic flexibility to adapt to changing market conditions, opportunities, and challenges is crucial. This includes being prepared for future capital raises or alternative financing methods as the business evolves.



Raising capital in the Australian financial markets is a complex, multifaceted process that requires careful planning, strategic execution, and robust risk management.

By understanding market conditions, choosing the appropriate method of raising capital, ensuring regulatory compliance, and engaging effectively with investors, companies can navigate this critical milestone successfully. Leveraging professional advisors and learning from real-world examples further enhances the likelihood of success. Ultimately, a well-executed capital raise can provide the necessary resources to drive growth, innovation, and long-term value creation.

Automic can help businesses navigate and ultimately achieve their capital raising goals by:

↳ [Full institutional offer analysis and management](#)

↳ An acknowledged expert [capital markets](#) project management team

↳ Modern, integrated communications and application management

↳ Investor engagement (Institutional and Retail campaigns)

↳ [Investor relations](#)

↳ [Media relations](#)

↳ [Company secretarial](#)

For more information, contact leith.morrison@automicgroup.com.au for a discussion or visit www.automicgroup.com.au/ipo-services



Automic's Capital Market Services

- ↳ Initial Public Offers

- ↳ Rights Issues (Non-Renounceable, Renounceable, Accelerated)

- ↳ Placements

- ↳ Share/Unit Purchase Plans

Elevate your Capital Strategy

We offer integrated support for corporate activity including dual-listings and cross mergers and acquisitions.

Our model is based around specialist project management to deliver a total solution built around:

For more information contact
leith.morrison@automicgroup.com.au
for a discussion or visit
www.automicgroup.com.au/ipo-services

Tailored Approach

Each project is meticulously designed to match your distinct needs, ensuring precision execution through sound project and risk management methodologies.

Optimise Your Capital Management Budget

Reduce suppliers, streamline logistics, and manage information flow efficiently with a unified service provider.

A Safe Pair of Hands

Focus on strategic priorities as we manage logistics and operational responsibilities.

Fulfill Your Goals

Keep information relevant and up-to-date for compliant, targeted results.

About Automic

Automic Group brings together modern purpose-built technology with a dynamic and experienced team to tailor solutions for companies and funds to understand, engage and manage their investors.

The company provides a cloud-native single registry, employee share plan and board management platform, and professional services including company secretarial, ESG, accounting and finance, and investor and media relations.

Today, over 1,400 ASX listed and unlisted clients trust Automic's 250 employees to manage their registry, investor and board requirements and Automic is ranked number one on the ASX by number of companies serviced, with 750 listed clients. In the past two financial years, Automic has won 50% of IPOs and 70% of listed companies who have switched registries.



FOR MORE INFORMATION

Leith Morrison

Director, Corporate Markets

+61 473 458 313

leith.morrison@automicgroup.com.au

automicgroup.com.au