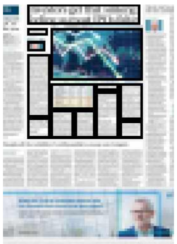

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Investors get that sinking feeling as most IPOs falter

It's been a mixed bag for companies that listed this year

TONY KAYE

If you have invested in an initial public offering on the Australian Securities Exchange this year and have actually made a profit, count yourself as one of the lucky ones.

More than 70 per cent of the companies that have listed on the ASX this year are in the red, and investors in 20 per cent of the new listings have lost more than half their initial capital. It's a salutary lesson that new floats can sink fairly easily, especially in volatile market conditions such as those we've experienced this year.

But the rough conditions on global markets are only part of the cause for many float flops, with some stocks having fallen sharply after their listing even during the period of the trading through the year when conditions were relatively calm. The reasons are as varied as the companies, but it wouldn't be too difficult to uncover cases where some have gained entry to the ASX club that should have been denied access if the financial performance bar for listing was higher.

In terms of many of the new listings this year that have either risen or fallen into negative territory, the reasons around their share price performance will be embedded in their post-listing business activity statements, audited accounts and ASX company announcements. Market sentiment is also a key driver. Calculating the best and worst listing performances is simply a numbers exercise, comparing the share price paid by investors to participate in the IPO with the current trading price.

The top five

It's been a very mixed bag in 2018, with listings from the materials and technology sectors continuing to dominate. The best-performing IPOs have all more than doubled since listing.

Heading the returns leaderboard is Adriatic Metals, a UK company that has mining concessions in Bosnia and Herzegovina. Since listing in May after a $10 million capital raising, Adriatic has surged 207.5 per cent (as of December 7). That's largely due to promising drilling results from existing minerals deposits, which contained high readings for gold, silver, copper, lead, zinc and the barium source, barite.

Second best has been New Zealand dairy products group Keytone Dairy, which joined the ASX in July and has surged more than 107 per cent on the back of strong sales of its long-life and powdered milk products in Australia, Asia and Europe.

In third place is IT group Security Matters, which delivers industrial cyber-resilience solutions that enable companies to identify and respond to industrial threats and flaws. Since listing in October, its shares have jumped from its 20c issue price to 39c, representing a gain of 95 per cent.

Hemp oil producer Elixinol Global has had a rollercoaster ride through the year since its listing in January, having initially dipped before staging a recovery in March, and then slipping again. Since announcing its results and a $40m capital raising in September, the cannabis stock has hit a new high and is up 86.5 per cent on its IPO price.

Another top performer has been educational technology company ReadCloud, which raised $6m before listing in February and has since jumped 80 per cent, including 35 per cent on day one. It provides an e-learning platform to schools for e-books, and currently has around 22,000 users in Australia.

The bottom five

This year has also been a disaster year for some IPOs.

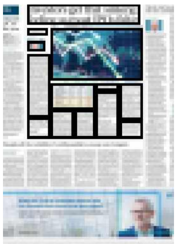
Tietto Minerals, a gold explorer with projects in Cote d'Ivoire and Liberia, issued shares at 20c before its listing in January, peaking shortly after. But since then its share have dropped 67.5 per cent.

Food ingredients group Marley Spoon listed in July after raising $70m from an offering pitched at $1.42 a share. It is now trading at 45c, representing a fall of 68.3 per cent.

Financial services company Raiz is down more than 68 per cent since it listed in June at $1.80 a share, having raised $15.1m. The stock is down to 56c.

US cybersecurity company WhiteHawk has failed to impress since raising $2m and listing in January. That's despite a strong debut, with the stock rising 32.5 per cent on day one. Since then, it has fallen sharply, and is currently trading 75 per cent down.

In bottom place is Frontier Diamonds, a South African company, which raised $4m in January before listing on the ASX.



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It closed 5 per cent lower on its debut and has continued to lose ground. It is currently trading 79 per cent down, despite recovering the first gemstones in March.

Tony Kaye is the editor of Eureka Report and listed financial services group InvestSMART.

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Best and worst IPOs this year

Rank	ASX code	Last price	IPO price	Since IPO (%)
1	Adriatic Metals	62¢	20¢	▲ +207.5
2	Keytone Dairy	41.5¢	20¢	▲ +107.5
3	Security Matters	39¢	20¢	▲ +9.5
4	Elixinol Global	$1.856	$1	▲ +86.5
5	Readcloud	36¢	20¢	▲ +80
86	Tietto Minerals	6.5¢	20¢	▼ -67.5
87	Marley Spoon	45¢	$1.42	▼ -68.3
88	Raiz Invest	56¢	$1.80	▼ -68.9
89	Whitehawk	5¢	20¢	▼ -75
90	Frontier Diamonds	4.2¢	20¢	▼ -79

Source: Investsmart