

## Smaller IPOs Deliver Best Returns in 2016: OnMarket Report

### *IPOs Deliver Superior Returns to Broader Share Market*

**7 February 2017:** Smaller initial public offerings (IPOs) easily outperformed larger IPOs on the Australian Securities Exchange (ASX) in 2016, while company floats as a sector delivered much better returns than the broader share market, according to [OnMarket 2016 IPO Report](#).

IPOs returned an average of 25.4%, more than triple the 7.5% delivered by the benchmark S&P/ASX 200 index. Floats raising less than \$50 million delivered the best results, returning 32.2%, while those issuing more than \$50 million returned 14.7%.

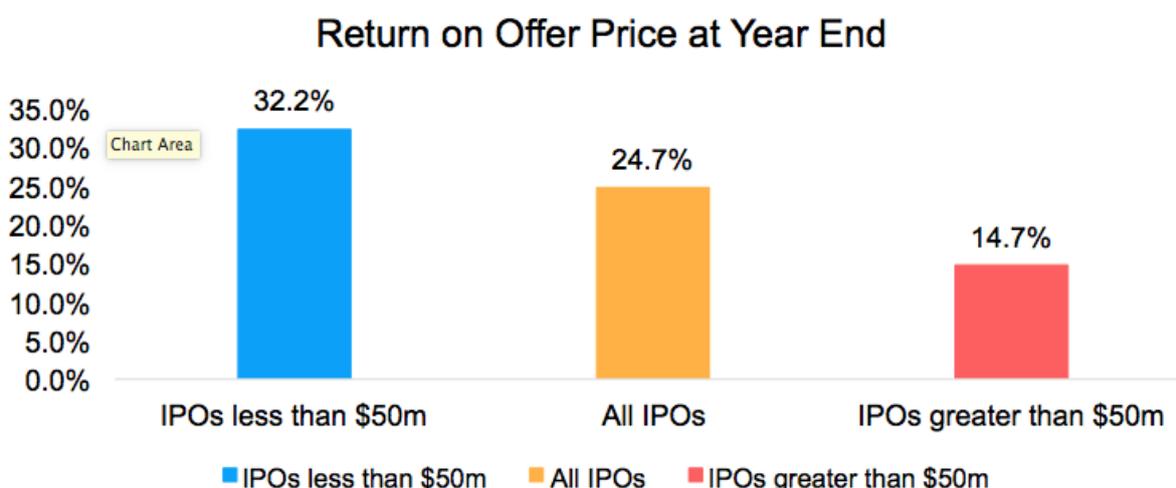
“While the conventional wisdom may say, ‘the larger the company, the safer the investment’, companies with offer sizes of less than \$50 million were the clear winners last year, gaining an average of 32.2% by the year’s end. That is an encouraging statistic for IPO investing,” said Ben Bucknell, Chief Executive of [OnMarket BookBuilds](#) (OMB).

IT floats were the best performers, with an average gain of 70% by year end. Other strongly performing sectors were consumer staples (up 37%) and healthcare (up 24.2%).

Some surprising non-performing floats were financials, down an average 8.1%, barely ahead of energy floats, which fell on average 10%, the [report](#) found.

OnMarket BookBuild’s Bucknell said smaller IPOs could continue to outperform large ones, given the way IPOs are priced by sellers.

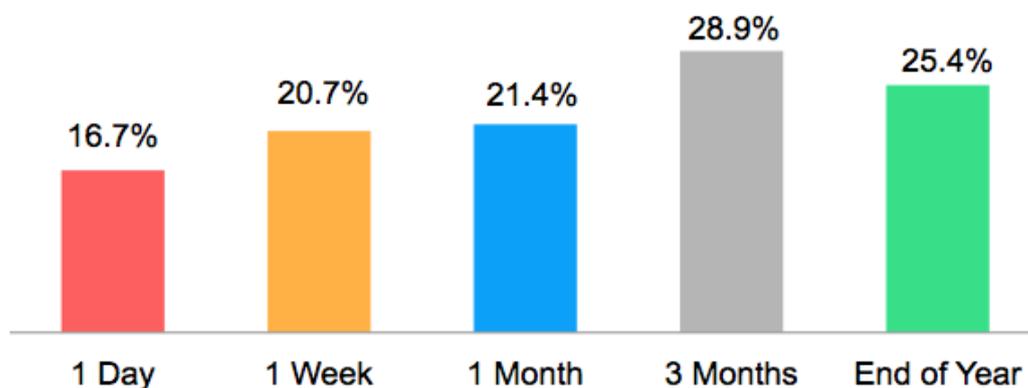
“Why is it that smaller IPOs are undervalued on float? Perhaps due to the paucity of institutional funds for microcaps, companies need to under-price in order to attract retail investors. Or perhaps it is that a higher return is needed to offset the higher risk of companies seeking growth capital,” he said.



Bucknell said the outlook for the IPO market in 2017 is bright, given the strong opening to equity markets and the large number of IPOs that were deferred from late 2016.

“We anticipate a strong start. If the commodity rally continues, the number of resource-based IPOs could pick up after a few lean years. We also expect that more listed investment companies will come to market in 2017 after a strong 2016, where investors took advantage of their comparatively low cost for diversification.”

### 2016 Average IPO Returns



During 2016, first day returns averaged 16.7% for the year’s 96 IPOs, which together raised \$8.3 billion in new capital. The OnMarket 2016 IPO Report reveals average first day returns were 5% higher in 2016 than in 2015, indicating a robust aftermarket for most new floats.

The OnMarket app is available in the [App store](#) and [Google Play](#).

**MEDIA CONTACT**

Nicki Bourlioufas  
 E: [nicki@onmarketbookbuilds.com](mailto:nicki@onmarketbookbuilds.com)  
 M: +61 411 786 933

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