

The Australian Financial Review

Monday 24/5/10

pg. 21 Market Wrap Section.

Choppy trading puts a damper on IPO marketing

The 11.8 per cent fall in the benchmark ASX 200 Index over the last month has created severe headaches for bankers looking to market large new floats such as Brookfield Multiplex Group, Grocon and Bilfinger Berger Australia (BBA).

The Brookfield Multiplex initial public offering process is said to have slowed so much that it appears unlikely the \$4 billion float will see the light of day any time soon.

But whatever the progress of the IPO, there is no question it has done well to win the support of 15 banks for about \$2.3 billion of refinancings over the past week.

Some of these lenders are likely to be potential underwriters if the float goes ahead, and the group is ultimately looking to extend its debt maturities even further.

In the meantime, the feedback on Grocon's proposed \$1 billion office IPO has been mixed, with some fund managers saying the pricing on the assets is just too tough to justify in current markets.

Perhaps activity around office trusts is more likely. While the future of the \$9 billion ING Real Estate platform is on investors' minds, one proposal is an internalisation of the ING Office Fund's management rights.

Whether that will suit the trust's ultimate masters in the Netherlands (or investors) is another question.

Meanwhile, the BBA float appears to be on schedule despite the choppy markets.

There is demand from fund managers for BBA, but as with all floats, pricing is key. Leighton Holdings is trading on a price-earnings multiple of about 15, and most think it deserves a premium to BBA.

Analysts had valued BBA at a range of 13 to 17 times in initial pre-marketing material. But the weak market conditions mean BBA may be more likely to price at a multiple of 11 or 12.

Also in capital raisings, Chalice Gold Mines is set to exit a trading halt this morning after raising \$9.1 million at 42¢ a share with help from Southern Cross Equities.

And Mindax is poised to unveil a \$7.8 million placement at 52¢ to Singapore's Lion AsiaPac, which was conducted with help from Wilson HTM Investment Group.