

# FINANCIAL REVIEW

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HD **Gentrack IPO hits sweet spot for UBS**  
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Gentrack Group's Australian traded shares lifted by 5 per cent as the software maker returned to the public markets on Wednesday, making it the latest in a wave of New Zealand companies to dual list in both their home markets and Australia.

The Auckland-based **company** makes customer billing software for utilities companies around the world.

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At listing on the NZX on Wednesday, Gentrack shares jumped as much as 5.4 per cent before closing 3.8 per cent higher at \$NZ2.49 (\$2.31). On its simultaneous ASX debut, Gentrack shares finished 5 per cent higher at \$2.30.

UBS acted as **lead** broker on the deal, which was originally taken to market with a price range of \$NZ2 to \$NZ2.50 per share. The bookbuild process, which was originally due to close at 1pm on June 5, was extended for a number of hours and closed later that evening after the market closed, pricing the shares at \$NZ2.40 (\$2.18).

Last month, a senior member of the UBS capital markets team told The Australian Financial Review that they considered an increase of between 2 per cent to 5 per cent on the first trading day an optimal performance for an IPO, arguing this was enough for investors to gain but not so much that the issuer felt they should have held out for a higher price.

According to a disclosure statement issued by Gentrack the three biggest shareholders at listing are; New Zealand Central Depositories Ltd, Jametti Ltd, and Uplands Group. Australian institutional investors include Colonial First State Global Asset Management and AMP Capital.

Gentrack chief executive James Docking has retained control of 10 per cent of the **company**, while chairman John Clifford retains control of a 12 per cent **stake** although both have sold down in the IPO to provide free-floating stock.

The offer was priced at between 14 times to 16.7 times forecast net profit for financial year 2014 - 2015, valuing the business between 9.9 times to 11.8 times earnings before interest tax and amortisation. A cash dividend yield of 4.5 per cent to 5.4 per cent has been forecast for the financial year ending June 2015.

Gentrack was founded 25 years ago when a New Zealand entrepreneur bought the computing division of failed Australian television maker AWE. The current senior management gained control of the **company** about a decade ago in a management buyout from its then British private **equity** owners. Before that the **company** was listed in the UK.

Mr Docking said the decision had been made to go public again now in a move to help give big customers confidence the **company** will still be around in another 20 to 30 years.

"Gentrack's software systems take between six months to two years for our clients to implement. That's a big commitment, so they want to be able to stick with us for a long time afterwards," Mr Docking said.

The business model is based on a combination of up-front installation and annual fees.

In addition to its core client base in power and water utility companies across Australia, New Zealand and the United Kingdom, Gentrack also makes software systems for airports. Clients include London City Airport, John F Kennedy Airport, and **Hong Kong** International Airport.

The initial public offer raised \$NZ99 **million** (\$91.7 **million**), just shy of the maximum \$NZ100 **million** sought. Existing bank debts of \$NZ35 **million** ( \$32.4 **million**) will be extinguished. At listing Gentrack had a market capitalisation of about \$167.2 **million**.

Gentrack's IPO is the latest Kiwi **company** to pursue a dual-listing in Australia. **Energy** companies Mighty River Power, Genesis **Energy** and Meridian **Energy** have listed in the past two years, as has fuel retailer Z **Energy**.

New Zealand vehicle and event equipment **company** Hirepool Group is also slated to list in the coming months.

No doubt investors in Gentrack will have been cheered by the stellar share price performance of NZ small business accounting software **firm** Xero. That **company** is multi-listed in New Zealand, Australian and the United States. Shares in Xero are more than 80 per cent higher over the past 12 months, having traded as much as 220 per cent higher over the period.

Key points New Zealand utilities billing software maker raised \$91.7 **million** in a dual ASX-NSX listing. Shares in Gentrack rose 3.8 per cent on the NZX and 5 per cent on the ASX after Wednesday's debut.

**CO** rtiyhw : Gentrack Group Ltd

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