

FINANCIAL REVIEW

SE Market Wrap - Street Talk

HD **Greenshoe option kicks in for Spotless IPO**

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Spotless Group has resurrected the all-but-forgotten "greenshoe option" for its May initial public offering, in an effort to win over offshore investors and ensure a smooth second coming to the ASX boards.

Should there be ample demand at the cleaning and catering **company's** May 20-21 book-build, **lead** managers Citi, Deutsche Bank and UBS will effectively short Spotless and allocate up to an additional 81.1 **million** shares to new investors.

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The banks will have 30 days to buy back Spotless shares on the market – therefore helping to prop up the share price if it needs the support – or take the additional shares off the vendor Pacific **Equity** Partners.

It's a common practice in large IPOs offshore, but will be the first time it has been used in Australia since QR National listed in November 2010.

The greenshoe means Spotless and its brokers will be in the market for up to \$1.15 **billion** at the IPO, to list with a market capitalisation of \$1.8 **billion** to \$2 **billion**.

Spotless chief executive officer Bruce Dixon, numbers man Danny Agnoletto and general manager Paul Waterson will be leading marketing over the coming three weeks. The trio are in Sydney and Melbourne for much of the next 10 days before taking on the well-travelled roadshow route – Singapore, **Hong Kong**, London and New York.

Fund managers are already focused on price. Spotless is seeking to raise 7.9 times to 8.5 times forecast earnings before interest, tax, depreciation and amortisation, which is a large premium to the 4.5 times Spotless used to trade before private **equity firm** Pacific **Equity** Partners made a takeover bid in November 2011.

Spotless has been repackaged as a much larger, better run **company**. By June 30, 2015, its EBITDA margin is expected to be 11.2 per cent, which is almost double where it was before the takeover.

It is also being pitched at offshore investors, although some are starting to question whether Spotless can grow earnings at the same pace as offshore rivals ISS and Aramark, which have enjoyed successful IPOs of their own in the past six months.

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