SE Information

HD WiseTech reveals plans for local IPO

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Software developer WiseTech Global has kicked off plans for an initial public offering on the Australian Securities Exchange, in a long-anticipated move that would make it one of the largest software players on the local boards.

The **company**, which makes freight and logistics software under the CargoWise brand, has long been a target of venture capital players, attracted by its strong revenue growth and profitability.

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Founder and chief executive Richard White told The Australian Financial Review it had poached a leading investment banker to work in-house to prepare for a listing, which would likely come before the end of the financial year.

The **company** has been around since the mid-1990s, but Mr White said global growth had been sharp since 2008 when it introduced software as a service model, which meant customers could be served via cloud computing.

The impending listing will pique the interest of investors wowed by the tearaway success of the IPO of New Zealand-based accounting software **firm** Xero.

WiseTech has all the revenue growth appeal of Xero, but unlike Xero it has been profitable for five years. Revenue for the 2014 financial year has not yet been officially lodged with ASIC, but looks like being up 35 per cent year on year to $60 **million**, with a profit margin the **company** described as "attractive and rising".

In 2013 it posted a profit of $4.7 **million**, up 55.6 per cent on 2012, when it made $3 **million**. This was on revenue of $44.8 **million**, which was a 31.6 per cent increase on $34 **million** in 2012.

One expert said while valuations could be eye-popping in the tech sector, it would be fair to assume WiseTech will start life as a listed entity with a market capitalisation of at least $1 **billion**, given the appetite for cloud-related specialist tech stocks.

Since listing on the ASX in late 2012 with a share price of $4.50, Xero has risen to $42.96 and currently sits at $23.59.

Investors were more cautious last week at the largest tech float of the year for education software provider 3P Learning. It saw its share price fall 14 per cent on its first day of trade, from $2.50 to $2.15. Shares have since recovered somewhat to $2.32.IPO a 'dot point on the map'

Mr White said one driver of the IPO was to crystallise value for the 70 staff shareholders, who represent about a quarter of all full-time employees. "When you have a very high-growth, successful **company** with 70 staff shareholders, you end up with almost a moral obligation to give people a way of crystallising that value," Mr White said.

"I think of myself as a CEO with an obligation to the rest of the shareholders and I think that an IPO is a way of doing right by them."

He said WiseTech had regularly batted away sale approaches, as he believed too much in the future growth potential in the business to see it broken up.

"My view is that this is a very long-term plan and an IPO is a dot point on the map, an intermediate objective on a greater plan to become a truly powerful and major global player in many of the adjacencies in the supply chain that we see," Mr White said.

He said funds from the IPO would be used for acquisitions in what he described as "close adjacencies". The company has acquired 13 businesses in the past decade, and Mr White said the company needed to have enough room on its balance sheet to be able to move quickly if necessary.

Already a dominant player in the Australian market, the CargoWise product is respected globally, with customers in 105 countries. The company derives almost 75 per cent of its revenue from outside Australia, with 32 per cent of its global licences held by Chinese operators.

"Ten per cent of our growth comes from customers rolling out across the world without a salesperson involved. Because of our move to an on-demand world and the cloud, the customer can just do that themselves," Mr White said.Keeping it local

News of the WiseTech listing will be welcomed by executives at the ASX, who have previously expressed a desire to become a regional hub for the booming tech sector.

Speaking to the Financial Review after last week's 3P Learning IPO, ASX chief executive Elmer Funke Kupper said it was becoming increasingly logical for tech players with global ambitions to list locally rather than head overseas.

"I think a lot of the ingredients we need to have are already in place. We are a very large capital market worth about $1.5 trillion, we are a very flexible market to list on and we are starting to build a real track record now in listing tech companies," Mr Funke Kupper said. "About 12 out of 107 listings last year were tech listings – some very successful ones like OzForex and Freelancer, and they came on the back of successes like SEEK. I think a lot of ingredients are in place, but we need the momentum."

Mr White said it made sense for WiseTech to list on the ASX, rather than follow the lead of other leading local tech players such as Atlassian to look to overseas listings on the higher-profile Nasdaq.

He said he understood why Atlassian's United States-based backers were keen for it to list in the US, but felt he had a duty to demonstrate the ability of global tech companies to reside in Australia.

WiseTech's choice to list in Australia had been made out of both patriotism and pragmatism, he said.

"We are not going to twist ourselves into a pretzel in order to list on the Nasdaq. It would put pressures on us in a way that would be bad for business if we were to try and turn ourselves into a Nasdaq listing," Mr White said. "I am very much of the view that ultimately, markets are transparent and that a good company is a good company anywhere. I think there are people that need to stand up and be counted in Australia, and to actually do something to show that Australian companies can be world leaders."Confident in its credentials

While many tech listings around the world have led to speculation that company founder CEOs will struggle with the extra scrutiny of the market, Mr White says WiseTech has been run like a public company for years.

It has been audited for 14 years, has had a formal board with monthly meetings since 2007 and has all the committees and governance rules in place.

"I think we are in a position where a public listing would be [the least strain] it could possibly be, and my goal is to continue to work hard as the CEO of the company and to have others to help me with the listing," Mr White said.

He said while he was confident in his company's credentials, he was not reading anything into the extravagant success of companies like Xero and Freelancer in relation to WiseTech.

"Freelancer's IPO was nothing short of extraordinary, it was a wonderful thing to see. We don't take any lessons from that. I rejoice in their success but don't think it says anything about how we would list," Mr White said.

"Xero is an amazing story and I don't think anybody can understand the numbers, so it probably doesn't give us too many direct lessons either. However, it has informed us about how markets perceive software companies, and they have broken ground in a way that will allow us to communicate with investors in a more coherent way."

CO cediap : WiseTech Global (Australia) Pty Ltd

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