Australian Stock Exchange (ASX) Listing: Reverse Take Over vs. Initial Public Offering
Taking your business public can be achieved in Australia by way of a Reverse Take Over (RTO, sometimes called a “back-door” listing) of an existing Australian listed company, or by way of an Initial Public Offering (IPO, or “front door” listing).

Moore Stephens Corporate Advisory is ready to assist you with making an informed and timely decision as to whether an RTO or IPO is to be undertaken. We can assist you to find and secure shell companies to be used for an RTO. We can provide advice, guidance and support for liaising with the ASX and ASIC, preparing a prospectus, and seeking and communicating with investors. We also, regularly provide Independent Expert’s Reports (IER’s) in the case of RTO’s in respect of whether the acquisition of the target is “fair and reasonable” to existing non-associated shareholders of the listed company. We also provide Independent Accountant’s Reports (IAR’s) in respect of historical, forecast and pro-forma financial information to be included in a prospectus. A comparison of the two pathways to becoming publicly listed on the ASX in Australia is set out below.

### Comparison of process and timing

<table>
<thead>
<tr>
<th>RTO / Capital raising</th>
<th>RTO period</th>
<th>IPO period</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTO</td>
<td>Month -6 to 0</td>
<td>Month 1</td>
</tr>
<tr>
<td>Identify &quot;clean&quot; shell and agree terms</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Technical Expert’s Report (if required)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>s.611 Expert’s “Fair and reasonable” Report</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Prepare Notice of Meeting (NoM)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Lodge NoM with ASIC, resolve queries</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Mutual due diligence</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Shareholder vote on NoM to approve RTO</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Same process for RTO**

- Appoint underwriter/broker/other advisers
- Prepare the company for IPO (e.g. 3 years Audit, etc.)
- Due diligence inquiries
- Weekly due diligence committee meetings
- Prospectus drafting
- Prospectus verification
- Pre-marketing to institutions
- Underwriting/offer management agreement
- Lodge prospectus with ASIC
- Prospectus exposure period
- Prospectus printing
- Marketing road shows
- Offer period
- Book build
- Allocations/Closing
- Listing on ASX

Sources: B&M cross-boarder listings handbook, 5th edition 2015; Moore Stephens
ASX listing: Reverse Take Over vs. Initial Public Offering continued

Why RTO?
- Some of the minimum shareholder spread requirement for a listed company may already be achieved. The quality of existing shareholder spread is important to understand when selecting a shell.
- The possibility to raise funds at a minimum price of $0.02 per share.
- Suits companies for which capital is either already available or not needed i.e. a wide public offer may not be required.
- Cash may already be available in listed company i.e. a “cashbox”.
- Access to experienced Australian Directors - typically at least one will remain on board.
- Shareholders may be eligible for CGT rollover relief on a scrip for scrip offer if certain conditions are met.
- Access to other advisors and service providers to listed company: e.g. auditors, lawyers, share registry, ASIC and ASX relationship contacts, PR, website, broker contacts.
- Much of the process required for an RTO can be run concurrently with the IPO process.
- The RTO approval process can be viewed as confirmation of the value and quality of a business prior to the fund raising process.

Why not RTO?
- Risk of contingent liabilities in listed company.
- Cost to acquire listed company. Can depend upon how many listed companies are available for sale and their quality.
- Additional time required to source and secure a listed shell.
- Dealing with regulatory bodies and a raft of advisers can be difficult.
- Dilution of existing shareholder’s ownership.
- Subject to shareholder approval from the listed shell security holders.
- Dealing with residual/unwanted assets in the listed company although can be by way of in-specie distribution to existing shareholders, such that they retain an interest in those assets.
- Perception that RTOs are for lower quality businesses than IPOs.
- The RTO approval process may result in a public valuation placed on your business that may not reflect the value attributed to the transaction.

Moore Stephens view

The decision regarding which approach to use to take your business public is never simple. The best outcome will be dependent on an informed and timely assessment of the individual circumstances and risks associated with the proposed transaction, and the preferred outcomes for the shareholders. An RTO may make sense where a foreign company has ready access to capital and wants to list in Australia, but lacks an Australian investor base, infrastructure and support. There are a number of advisors we work with who undertake the pre-work in the listed company so as to offer a higher quality “clean” shell. As the chart on the previous page shows, most of the capital raising and re-compliance listing steps, including the preparation of a prospectus are identical when considering either an RTO or IPO. However, an RTO can take at least 3 months longer to complete due to the additional regulatory requirements and negotiation with potential listed shells.

Sources: B&M cross-boarder listings handbook, 5th edition 2015; Moore Stephens
Advantages of Listing on the ASX

Why list on the ASX?

- Amongst lowest profits and NTA/market capitalisation threshold requirements
- Equal lowest time frame to list
- Within China/Asian time zone and proximity
- Decline in AUD to USD is making ASX fees, together with other advisor fees more affordable
- Mid-market legal and accounting firm fees accessible at circa US$300/hour for Partner/Director
- Credible regulatory and governance regime
- ASX market exceeds US$1 trillion trading turnover, enhanced liquidity
- ASX a top 5 exchange globally for raising capital
- ASX market comprised of 45% international investors, providing a gateway to global capital
- Australian capital markets #1 in Asia with the largest pool of investable funds, set to grow to US$4.5 trillion by 2030

Comparison of ASX with other exchanges

<table>
<thead>
<tr>
<th>Exchange</th>
<th>Basic Listing requirements at the time of publication (subject to change). All amounts in USD except for ASX.</th>
<th>Est. time to list</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASX</td>
<td>Profit test: Profits &gt; A$1m over last 3 years and &gt; A$0.5m in last year; Assets test: NTA &gt; A$4m or Market cap test &gt; A$15m. Must have &gt; 300 shareholders at IPO where &gt; 20% are not related parties. At least last 3 years audited financial statements prepared in accordance with IFRS. Foreign companies may be subject to additional admission requirements.</td>
<td>4 months</td>
</tr>
<tr>
<td>HKSE</td>
<td>Profit test: Profits &gt; $6.5m over last 3 years, $2.6m in last year, market cap &gt; $25.8m. Market cap + revenue + cash flow test: Market cap &gt; $258m, revenue &gt; $64.5m last year, operating cash inflow &gt; $12.9m in aggregate over last 3 years. Market cap + revenue test: Market cap &gt; $516m, revenue &gt; $64.5m last year. At least last 3 years audited financial statements prepared in accordance with IFRS, or for a PRC issuer, CASBE. GEM requires two years’ positive cash flow of $2.6m and minimum market cap of $13m/</td>
<td>6 months</td>
</tr>
<tr>
<td>LSE – Main</td>
<td>Market cap &gt; $1.1m and sufficient working capital for at least next 12 months. At least 25% of shares listed be distributed to public in European Economic Area Member States. At least last 3 years audited financial statements prepared in accordance with IFRS for EU companies, or US, Chinese and other GAAP.</td>
<td>5 months</td>
</tr>
<tr>
<td>SGX</td>
<td>At least one of: &gt; $24.5m profit in latest year; market cap &gt; $123m; market cap AND revenue &gt; $245m. 500 shareholders and 12-25% in public hands. At least last 3 years audited financial statements prepared in accordance with IFRS or US GAAP.</td>
<td>11 months</td>
</tr>
<tr>
<td>TSX</td>
<td>Several different categories: NTA &gt; $6.6m and pre-tax cash flow &gt; $0.6m; NTA &gt; $6.6m and profits &gt; $0.18m for the current or next fiscal year and pre-tax cash flow for the current or next fiscal year &gt; $0.4m and adequate working capital; Profits &gt; $0.18m and NTA &gt; $1.75m and pre-tax cash flow &gt; $0.4m; &gt; $8.75-$11.5m in treasury for Tech / R&amp;D firms; other criteria for mineral exploration and production companies. At least 300 shareholders holding 100 shares or more. At least 1,000,000 freely tradeable shares. General market value of $3.5m. Financial statements prepared in accordance with IFRS.</td>
<td>4 months</td>
</tr>
<tr>
<td>NYSE</td>
<td>At least one of: Profit &gt; $10m over last 3 years and &gt; $2m in each of last 2 years; market cap &gt; $200m. Alternate higher standards for foreign companies. At least 400 shareholders of 100 shares or more and at least 1.1m shares publicly held which are &gt; $40m. Min share price $4. At least last 3 years audited financial statements prepared in accordance with US GAAP.</td>
<td>5 months</td>
</tr>
</tbody>
</table>

Note that this is a general guide to listing requirements and is not exhaustive. All exchanges have continuous disclosure and corporate governance requirements. All exchanges require at least 3 years financial statements.
Sources: B&M cross-border listings handbook, 5th edition 2015; Moore Stephens
Corporate Advisory Specialists

At Moore Stephens, we partner with you to understand your corporate objectives and get you where you want to be.

Your concerns, our solutions
When it comes to selecting an adviser to support your corporate advisory needs or provide reliable transaction services, you need someone who you can trust, and who has the expertise, drive and passion to deliver what you’re looking for: objective, tailored solutions that provide outstanding value. Every time.

That’s what you’ll find with Moore Stephens.

How we help you
Our proven track record of supporting our clients’ corporate advisory needs across many industries keeps us well equipped to manage their risks, increase transactional certainty and provide realistic valuations and timelines. So, you can have peace of mind and absolute confidence that we will achieve these goals for you too.

Wherever you do business, and whether you own a medium to large private business or operate a small to mid-cap listed company, we have all your corporate finance advice and transaction services needs covered. Completely. This ranges from valuations; merger, acquisition and divestment advice; to funding advice, due diligence and independent expert’s and accountant’s reports.

What’s more, we treat your business like it’s ours. We absorb ourselves in your world, take the time to listen to you and understand what you’re trying to achieve and use our specialist skills and technical expertise to tailor our service to achieve it, efficiently and cost-effectively.

So, if you’re looking to buy or sell a business or significant asset and need trustworthy advice on how to make money in relation to your transactions, and your corporate objectives, or find funding to support them, look no further than Moore Stephens. Like many of our clients, you’ll be glad you did.

Why choose Moore Stephens?
When it comes to helping you achieve the right solutions to the multitude of issues and risks you can face in a corporate finance deal or transaction /compliance project, we have it covered.

Our services include:

- Valuations
- Merger, acquisition and divestment advice
- Project management of the IPO/RTO process
- Funding advice
- Due diligence
- Independent expert’s reports
- Independent accountant’s reports.
Colin Prasad
Associate Director, Corporate Advisory Melbourne Victoria

Professional Background:
As an Associate Director of the Victoria firm’s corporate transaction and litigation support division, Colin specialises in business valuations, investigating accountants and expert reports and assisting clients with acquisitions, sales, mergers and divestments.

Prior to joining Moore Stephens in early 2013, Colin gained a depth of experience working with a big four accountancy firm (in Melbourne and in Europe), as a CFO in industry for 10 years and as an associate director with a private equity firm. His industry experience includes mid to large multi-nationals as well as smaller tech focused start-ups. This breadth of roles and experience has given him a practical and commercial approach to quickly identifying and understanding the issues of businesses particularly as they relate to areas of key transaction risks and valuations.

He has been extensively involved with a number of project and investments analysis and small cap IPO’s and has completed numerous formal valuations, due diligence engagements and expert reports for publically listed and unlisted entities. He has also drafted expert witness reports for litigation matters held in VCAT and the Supreme Court of Victoria.

Colin regularly receives positive feedback from clients on his approach, the quality of work and timeliness of delivery.

Technical capabilities:
- Corporate Transactions, (M&A, restructures)
- IPO’s and other fundraisings
- Reverse take-overs
- Vendor and buyer due-diligence
- Valuations
- Project / finance modelling
- Litigation Support

Qualifications
- Chartered Accountant – qualified in 1995
- Associate member of Institute of Chartered Accountants in Australia (ICAA)
- Associate member of the Governance Institute of Australia
- Grad.Dip in Applied Corporate Governance
- B.Com Accounting and Finance (University of Melbourne)

Industry specialisations:
- IT / Technology
- Property
- Retail

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Peter Gray
Director – Corporate Advisory, Perth, Western Australia

Professional Background:

Peter has over 15 years experience in capital markets and corporate finance.

Peter has broad experience across the entire corporate finance and capital markets sector as a result of his involvement in both corporate finance advisory and equities research. Peter’s skill base is grounded in a detailed understanding of valuations and valuation methodology. With his years spent providing investment advice to a range of sophisticated and institutional investors, Peter has built an envious platform to deliver capital markets advice and M&A advisory services across a range of sectors.

An ability to understand the value propositions of a company is vital when negotiating and advising on a business sale or purchase. Peter’s background in completing due diligence, valuations and investment advice means he is uniquely positioned to find, create and negotiate value for clients, whether acting on the buy side or the sell side.

Peter has assisted companies across a range of industries, including mining services, oil and gas, retail, construction and engineering, food and beverages, and mining and exploration.

Technical capabilities:

- Buying and Selling Businesses
- Capital Market Advisory
- Capital Raisings
- Due Diligence
- Valuations
- Independent Expert’s Reports
- Financial Modelling

Qualifications

- Bachelor of Commerce
- Chartered Accountant (Fellow)
- Business Valuation Specialist
- RG146 Compliant

Industry specialisations:

- Energy, Mining & Natural Resources
- Building & Construction
- Property
- Health & Aged Care
- Emerging Technology
- Retail
- Food and Beverages

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Neil Pace
Partner – Audit and Corporate Advisory, Perth, Western Australia

Professional Background:
Neil has over 30 years experience in providing audit, accounting and advisory services, both in Australia and internationally and is currently Chairman of Moore Stephens Perth.

Neil has considerable audit experience including the audit of a number of companies listed on the ASX, large private companies, resources, financial services (AFSL) and construction companies, as well as a significant number of non-profit organisations. Prior to 1990 Neil was with Touche Ross & Co in Perth where he was responsible for the provision of audit and advisory services to mainly public companies.

During this time he also worked in the United States and Asian region. Neil is a member of Curtin University of Technology Alumni, past Honorary Treasurer of GROW Western Australia, honorary auditor of United Way Western Australia, and has been a Group Leader of the Institute of Chartered Accountants Professional Year Program, Accounting and Audit modules.

Qualifications
• Bachelor of Business – (WAIT)
• Chartered Accountant (Fellow)
• Registered Company Auditor
• Authorised representative of Licensed Investment Advisor Moore Stephens Perth Corporate Services Pty Ltd

Technical capabilities:
• Audit and Assurance
• Corporate Advisory
• Forensic Accounting
• Risk Management

Industry specialisations:
• Energy, Mining & Natural Resources
• Building & Construction
• Property
• Health & Aged Care
• Not for Profit
Contact Us

We have offices located across Australia who can provide tailored services to your business. For more information on how we can help you succeed contact us on the information below.

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