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Revamped NSX a new frontier for investors



Gareth Costa The West Australian
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Gareth Costa



National Stock Exchange chief executive Ann Bowering says it's ridiculous that Australian funds are going offshore.

- It won't be for everybody, but for investors with a more speculative urge, the coming of age of the National Stock Exchange of Australia will open up a new outlet for diversifying their cash.
- The second-tier NSX has undergone a raft of changes since 2016 under the guidance of chief executive Ann Bowering, with the aim of elevating it to an equal footing with its offshore peers, London's AIM, South Africa's JSE AltX market and the Canadian Securities Exchange.

She said having a single listing venue in Australia was a fairly recent phenomenon, with the Australian Securities Exchange formed only in the early 1990s as an amalgam of State-based exchanges.

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“It is quite an anomaly that Australia has a single listing venue which is a one-size-fits-all solution for the Australian marketplace,” Ms Bowering said.

“ASX is great for largest companies with international profiles worth \$100 million, \$200 million plus, and they get reasonable visibility, but anything under a \$100 million market cap on the ASX really struggles to get a profile, and they’re only there because it is the only place where they can raise investor capital.”

And Australia had the world’s fourth-highest number of funds under management, which meant the market was “absolutely” big enough to justify another exchange.

“When you talk to some fund managers they say ‘our next billion dollars has to go offshore, we’re full up on Aussie investments’. It’s ridiculous our funds are going offshore,” Ms Bowering said.

She said giving companies and investors another market platform would allow for greater diversification and lower costs, which were all things the Australian market needed to be globally competitive.

NSX is now in the final stages of building a market platform that will provide companies with the same connectivity and broker distribution as an ASX listing. But NSX will provide points of difference, with a focus on growth companies, especially resources, technology and consumer products.

Ms Bowering said not all companies needed to raise a lot of money, but rather some with an existing shareholder base might just be looking for trading liquidity or a transparent valuation to get a better investor profile and to allow for further development.

NSX will use the same T1 level of exchange licence as the ASX, and it offers brokers access through the IRESS interface into its Nasdaq “matching engine” that completes trades.

So from a broker and investor point of view, NSX and ASX-listed stocks will be traded in the same way. That will mean people can be agnostic about what platform they are investing through and be able to focus on “first principles” such as price and valuations.

Ms Bowering said last year NSX reached its “last frontier” after it received clearing approval for the ASX-Clear systems. That meant the automated settlement process opened it up to major electronic brokers such as CommSec, CMC Markets and Bell Direct to “come on board”. That has allowed NSX to say to sub-\$100 million cap companies it has access to the same pool of investors as ASX.

“In the same way you don’t care whether your telephone call goes over Telstra or Optus, you are not going to care as an investor whether it’s listed on NSX or ASX,” Ms Bowering said.

There are 80 securities listed, including debt instruments.

The key listing difference is the investor-spread requirement, with NSX requiring just 50 shareholders compared with 300 on the ASX.

“One thing we are seeing a lot in the marketplace, particularly here in Perth when we talk to advisers, is companies struggling to get the 300 you need for an ASX listing,” she said.

Companies will need a two-year record of operations that does not require profitability, but needs to be revenue-generating, although there is wriggle-room if it has enough assets.

As for size, NSX currently accepts companies worth just \$500,000, but as part of a rule-refresh this could be increased to an entry point of \$3 million to \$5 million. ASX has a minimum \$1 million profits test, or companies are required to have \$4 million in tangible assets or a \$15 million market cap.

Over 2018, NSX companies raised \$55 million in capital, down from \$130 million in 2017 and \$182 million in 2016.

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