
Red hot IPO market

It's been a red hot market for initial public offerings (IPOs) during the first half of 2021, with IPO activity being at its highest in the last 10 years.

While a lot of these listings have been in the mining space, as they often are in Australia, another area with several new listings is the non-bank lending sector. Some of these own brands like **Pepper Money (PPM)** and **Latitude (LFS)**. It is a couple of smaller non-bank lenders, though, that have caught Forager's attention.

When it comes to sophisticated sellers, such as private equity firms, their aim is to make the businesses look good for sale in order to maximise their IPO price.

They get the benefit of information the investors buying don't have access to and optimise the timing of the listing.

However, sometimes an IPO doesn't go to plan and the share price can start to head south soon after listing. It may be the case that they've had some sort of short term issues or perhaps they've been priced too aggressively.

Even though Forager doesn't participate in many IPO's at the time they happen, we do tend to take a wait and see approach - particularly where there are long term tailwinds and a good structural story.

Adore Beauty (ABY), for example, is one of those.

Adore below its IPO price, and even though there were some initial hiccups, the underlying structure of the business's long term trajectory in revenue growth is solid.