

Is it time for Private Companies to release Shareholders

I read with interest an article on Matt Levine's Money Stuff Blog titled Private markets are not the new public markets (<https://www.bloomberg.com/opinion/articles/2023-07-27/matt-levine-s-money-stuff-privally>).

In the article Matt walks back his saying that private markets are the new public markets. His initial premise was that firstly the boom in private capital meant companies did not need to do an IPO to raise capital and in a number of cases did so on huge valuations and secondly listing was not required to provide early investors and founders the opportunity to realise some of their investment in an environment where valuations were increasing as they could either choose to exit in subsequent funding rounds or potentially find a buyer at or above their entry price.

However, he has now recanted as he notes that investors once invested in a private company can't really resell their shares to anyone at any price due to explicit or implicit the lock up provisions often contained in shareholders agreements. Ultimately such protocols allow companies to control any share sale process. This had allowed companies to signal to their investors steadily growing valuations based on planned trajectories and market benchmarks facilitated by the demand for private assets but not necessarily tested by arms-length market dynamics. All fine while valuations are being driven ever higher.

Private companies get to control the narrative, telling investors the good things but not necessarily the bad or in some cases ceasing to tell investors anything at all. One has to wonder what has happened to a significant cohort of the entities that raised capital over the last 10 or so years that have not been successful in securing an exit opportunity for investors be it via a trade sale or unsolicited offer. Many of these are not in a position to raise further capital without acknowledging a significant decline in valuation. Some have failed and been bold enough to shut down completely, possibly selling off the IP that was developed. Most however continue to struggle along with minimal activity and few employees still trying to deliver the dream. Shareholders have become locked in with little insight into the market value of their investment while on occasion being asked to contribute more capital.

With the current compression in company valuations how do investors understand the valuations of their portfolio companies? If the company is providing limited or even no information the challenge becomes harder. One could assume total silence suggests a zero valuation.

This has sparked a tug of war between investors and founders over the information needed to decide how much a company is worth.

In terms of information flow and regardless of a company's' status, listed or not, in New Zealand the Companies Act and Financial Reporting Act place certain duties on directors to at least provide to shareholders an annual financial report within 5 months of the end of the financial year and hold an Annual General Meeting within 12 months of the last AGM. Compliance with these obligations is not however strictly enforced.

Further, investor sentiment when allowed to be exhibited in a contested market price has long been a signal for how well a company or other financial asset is performing – think the sell off in CDO's and the like before the GFC.

So investors in some of these private entities are finding that they need to push them to release shareholders from trading restrictions improve compliance and increase information flow. Advocating for the provision of a secondary market and in particular listing on a financial product market will achieve these ends for many private company investors and also open the door to the companies in which they are invested accessing further capital on arms-length terms.

As a market operator we naturally support demands from investors for private companies to consider listing on a financial product market. Directors have a fiduciary duty to shareholders. They should ensure that they are well informed at all relevant times. They should also consider whether or not shareholders and the company would benefit from arms-length price discovery through listing. Certainly, a decision to list would enable shareholders to make more informed decisions in respect of their investment.

While the argument may be that listing incurs increased costs of compliance, audit and reporting, USX's counter to that is the value generated for all stakeholders by being listed in a low compliance environment far outweighs the costs of such listing.

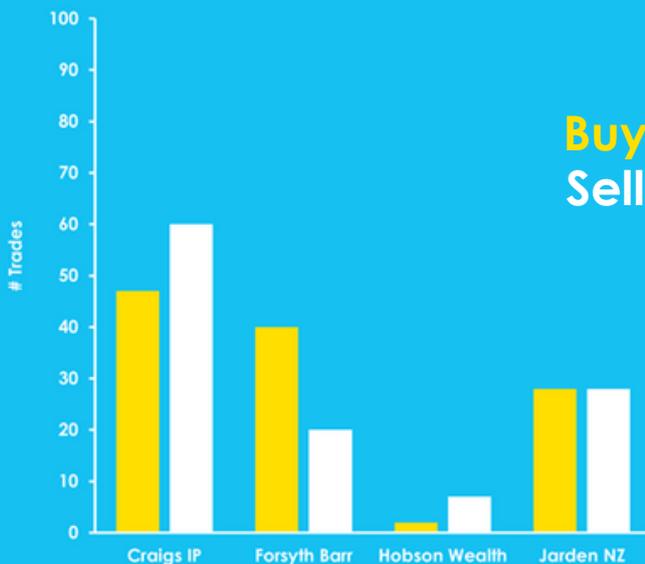
USX

DEC-JAN 2024 MARKET ACTIVITY

Market Capitalisation



Top Price Increases



Broker Trading Activity

Market Updates

Dec - Jan Trading Data

119 Trades Facilitated

Shares Traded **1.7m**

\$8.8m Worth of Shares Traded

Last 12-Months Trading

914 Trades Facilitated

Shares Traded **12.1m**

\$44.4m Worth of Shares Traded

Capital Raised

\$50k Raised in Last 2-Months

Raised in Last 12-Months **\$0.2m**

\$473m Raised Since Inception

Latest Half-Year Reports

- Connexionz

Latest Annual Results

- Rural Equities
- New Zealand Merino Company
- Terra Vitae Vineyards

Recent Issuer Activity

Connexionz announced the resignation of Sam Maier as a director and the appointment of Kevin McFall and Allan Dawson as directors. Allan Dawson is also taking on the role of Chair.

Connexionz also issued its half year report.

Zespri announced the resignation of CEO Dan Mathieson. Having been at Zespri for 21 years, almost seven of those as CEO, Mathieson will remain to oversee the 2024 harvest and start of the sales season until a new CEO is appointed.

Zespri also provided a five year outlook and issued Craigs Investment Partners broker research report.

Shopping Centre Investments announced a dividend of 0.625 cents per share, with no imputation credits.

Rangatira Investments announced its interim result and declared an interim dividend of \$0.28 per share, with no associated imputation credits.

Silver Fern Farms appointed Dan Boulton as its new Chief Executive, effective February 2024. Boulton, currently serving as the Chief Supply Chain Officer, brings over six and a half years of experience within the company. His background includes roles in the seafood, horticulture, and forestry industries.

New Zealand Merino Company welcomed Emily Jones of Matarae Station in Middlemarch as an Intern Director to its board. Jones's appointment underscores NZMC's commitment to fostering diverse perspectives and expertise within its leadership team.

New Zealand Merino Company also posted its quarterly shareholder update.

Speirs Foods announced the appointment of Jerem Wylie as the new Chief Executive Officer of Speirs Foods and that Ross Kane will remain as a non-executive director of Speirs Foods. Find full report [here](#).

Aorere Resources announced the receipt of final approval and commencement of production and sale of crude oil from the Oza oil field through the Trans Niger Pipeline.

Pharmazen advised at the release of its Q3 result that it is continuing to see improved trading performance.

Skyline Enterprises released its half year update for the six months to 30 September 2023.