



Technology IPO

## Inside the deal: How Airtasker was primed to pop

*The decision to float Airtasker turned out to be an easy one, with all of the board and management team united. Then came the hard work.*



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Updated Mar 26, 2021 - 12.22pm,  
first published at 11.39am



In what would have looked like a game of celebrity heads to onlookers, the decision to take gig economy jobs marketplace Airtasker public was decided with a sticky note vote.

On September 10, at Spicers in Potts Point, Sydney, Airtasker CEO Tim Fung, chairman James Spenceley and other members of the board and management met to decide whether or not the time had come to list.

Entering the meeting, Fung and Spenceley thought they would be debating whether or not to list in 12 or 24 months, but by the end of the discussion, the “yes” or “no” vote was to decide whether or not to list in just five to six month’s time.

“We like as a board and management team to work collaboratively and to ensure that we’re working together in an objective way, so we wrote on Post-it Notes ‘yay’ or ‘nay’ and stuck them on our foreheads. We were all aligned in wanting the same thing,” Fung tells *AFR Weekend*.

“We’d gone through the options we could assess and all came to the same answer. Our CFO Nathan [Chadwick] was looking almost white. He said ‘oh, that’s going to be right over Christmas.’”

Chadwick’s fears were well founded. On Christmas Eve, the company had a due diligence committee meeting and as the clock struck 12.01am on New Year’s Day, Airtasker’s finance team was already “on the tools”, according to Fung, preparing its first-half numbers for the six months to December 31 to include in its prospectus.

But the late nights over the holiday period paid off when the company hit the boards on Tuesday - a day later than expected thanks to an ASX delay - [having raised \\$83.7 million](#).

[On debut its shares ended the day up 65 per cent](#) and on Wednesday they closed up another 66 per cent - equating to a 170 per cent gain on its 65¢ issue price.

On Thursday it lost some of its gains, slipping back to \$1.35 as the [ASX](#) [tapped the brakes on a social media-fuelled share buying plunge](#).

Fung, who still has not looked at the the share price, has continued to walk around “swatting” away the phones of any employees he catches looking at the share price in the office.

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The performance is a remarkable departure from where Fung and Spenceley feared the business was heading this time in 2020.

The Post-it Note vote that led to Airtasker listing took place just five months after Fung and the board had been planning for a worst case scenario of the company’s revenue falling by up to 90 per cent as the COVID-19 pandemic struck.

In April, Airtasker’s gross marketplace volume had slipped 14 per cent and Fung was in crisis mode, contingency planning for mass lockdowns.

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“We were talking about losing almost all revenue and here we are a year later,” Spenceley says.

“We watched how it went in June and July and Tim texted me saying he was seeing so many random new tasks appear on Airtasker that seemed so obscure.

“I like to take credit that Airtasker pivoted in COVID, but the marketplace pivoted automatically and that’s actually better because it shows the operating model and shows that we don’t have to be hands on.”

During the pandemic, jobs such as bicycle repairs, home office IT support and virtual fitness trainers started emerging on Airtasker, and this gave Fung and the board confidence their market was mature enough to

undertake a listing, having already spent two years achieving positive cash flow.

## The roadshow

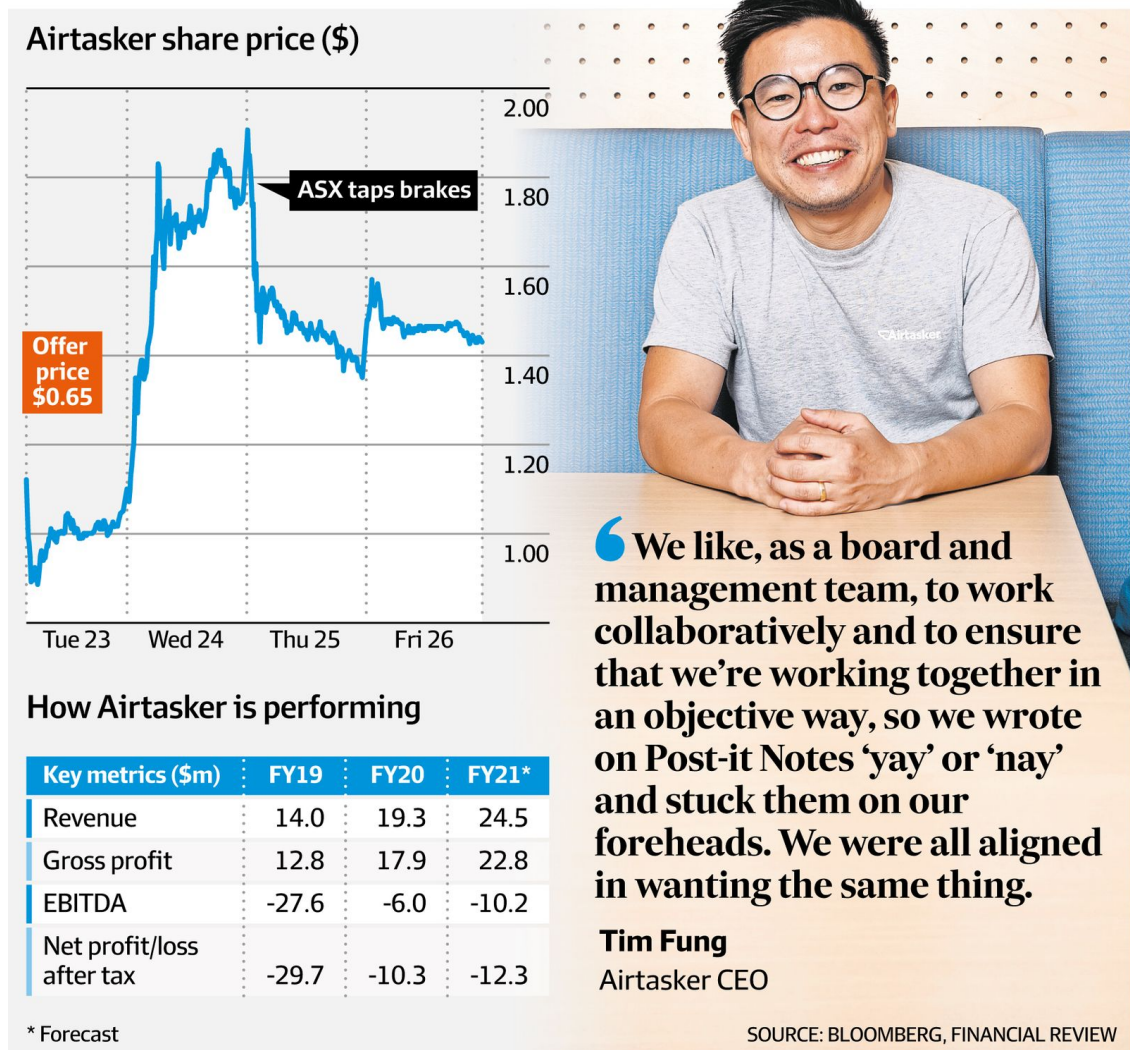
It was a rapid-fire process, Spenceley says. The company didn't have time to spend months researching which advisers to appoint.

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Spenceley tapped people he had worked with before: Morgans Financial corporate advisory associate director Sam Warriner, Deloitte partner Josh Tanchel, who audited Spenceley's old telco Vocus before it went public, and law firm Thomson Geer.

Before the roadshow, Airtasker's earliest investor, EXTO Partners - which had backed all of Artakser's capital issues since 2013 - had already committed to buying more shares in the IPO.



“At the start when we invested, Airtasker was pretty early-stage and only doing 300 tasks per week ... We would post tasks and wonder if Tim was going to show up,” says EXTO co-founder Peter Hammond, a former executive with KPMG Consulting in New York.

“We said to Morgans before they went out to talk to institutions that we wanted to invest in the IPO. We once again wanted to give that support and show there was a major investor putting in more.

“We’re also huge believers that we’re just getting started on this.”

Over the years Hammond has used Airtasker for all manner of tasks - including having his car jump-started, sheets washed while staying at a friend’s holiday home, and also having some data on an Excel spreadsheet analysed that he needed to present at a work meeting, while having to juggle dropping off his kids off at school.

He says as more people realise the wide variety of use cases for Airtasker, the usage volumes will quickly increase from two times per person to

three, four or five.

As much as EXT0's support was a sure thing, no one was surprised when Seven West Media indicated it wanted to sell its entire stake.

The media company had been shopping around for a buyer for its entire portfolio of venture assets since July, and while the exit of a major shareholder might have alarmed investors, Morgans' Warriner says it didn't hurt Airtasker.

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"I'm not sure I'd say it helped, but it certainly wasn't detrimental," he says. "On many floats when there is a large sell-down it's very concerning, but in this case it was well flagged by Seven West. They'd been in the public realm talking about selling non-core assets, and this was one.

"It wasn't a founder running for the door ... and it wasn't as difficult as we thought it might be to convince people that the sell-down was in no way related to the investment thesis or the price.

"From a volume perspective, having a free float a fair bit larger than originally contemplated let us market to some of the larger funds too, and we were successful in getting some of the larger guys on board."

One of the biggest talking points during the roadshow was the pricing of the float.

Investors weren't comfortable paying much above a 10 times forward revenue multiple, despite there being an arguable case for it being worth a lot more based on Airtasker's fat gross profit margin.

Fung, his mother Margaret and James Spenceley ringing the bell on Tuesday. **Louie Douvis**

For the year to June 30, 2021, the company has forecast revenue of \$24.5 million and gross profit of \$22.8 million, giving it a gross profit margin of 93 per cent. Excluding paid advertising, its gross profit margin is still in the mid-80s.

In comparison, global peers such as Fiverr and Upwork have a gross profit after paid advertising marketing of less than 38 per cent.

[Washington H. Soul Pattinson portfolio manager Dean Price](#) says the asset manager had approached Seven West prior to Airtasker deciding to float



asking to buy its shares in the business, and ended up giving guidance to the company around the price.

“The reality is I think Airtasker had a fullish valuation at the previous round, so they weren’t quite sure where to price the IPO,” he says.

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“With the revenue versus gross profit discussions, it’s always difficult to know where it should land. [But] there was leadership from people like us on the pricing.

Airtasker’s last major capital raise was in 2017, when it raised \$33 million, but it also completed a convertible note raise in 2019.

*The Australian Financial Review* previously revealed that some [former Airtasker employees had stock options priced at 76¢ per share.](#)

As part of a non-deal roadshow prior to Christmas, Airtasker sought advice from six or seven funds, according to Spenceley, on the pricing.

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The first point of call was Gary Rollo at Montgomery Investment Management, who Spenceley trusted to ask the tough questions.

“Gary was always my first meeting when at Vocus because he puts you through your paces,” he says. “He’s a tough investor and gave strong feedback that it was a high quality business, so we knew we were on the right track then.

“We changed up the presentation, made it simpler ... and we just had to stop taking meetings and cut [the roadshow] short because we had so much demand.”



For Spenceley, having the first day pop was more important than pushing for a higher IPO price.

In the months leading up to the float, Spenceley says Fung overtook his wife as the most popular contact in his phone. The pair would talk for up to three hours a day, and have a one hour conference call at the end of every work day.

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## IPO delay

But just as the team that brought to life Airtasker's IPO thought they had dotted every I and crossed every T, [Fung got a call from ASX chief executive Dominic Stevens last Saturday, apologising for a human error that meant the listing had to be pushed back a day.](#)

While frustrated, Fung appreciated the ASX taking accountability of the problem.

In the long run, Warriner says it may even benefit Airtasker.

"It's never ideal ... But the way in which Airtasker handled it and ending up on the front page of a bunch of national newspapers, it provided a whole lot more air time and that was a good silver lining," he says.

Airtasker's price surge since listing has in part been driven by a huge amount of retail interest in the stock, with [retail trades apparently accounting for up to a third of the trades on Wednesday and retail investors taking to social media forums such as Reddit and HotCopper to talk up the stock.](#)

Warriner said the retail involvement was reflected in the high volumes of shares being traded, and resulted in the share price being pushed up more than he had expected on the second day of trade.

"From a financial perspective, you might get concerned about the degree of volume ... but the more eyeballs on this from the company's perspective, the better," he says.

Price agreed the retail participation wasn't a bad thing, saying it was reflective of Airtasker's established brand.

"Airtasker had a few things going for it; it's a consumer facing brand, so a lot of people sitting at home know the business and the name," he says.

"Combine that with the fact that you can justify the higher price when looking at the global comparables ... I think you can make a case for it."

Spenceley and Hammond were also not concerned with how much of the price movement was being driven by retail investors.



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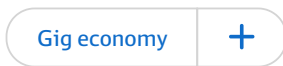
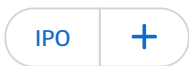
As for Fung, his big focus now is deploying the \$15 million raised in the IPO to invest in marketing to increase the usage of the platform - both from new and existing users - as well as expanding offshore.

"Spotify was out of Sweden, Airbnb and most of the other big platforms are from the US. Imagine if we can make something the size of one of those big tech companies," Hammond says.



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