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Case study – independently built

Analysis of a failed IPO: how the most expected public offering across the S&P ASX 200 failed – Firmus Australia.

Study case on Firmus' AUD $ 44 billion ASX IPO failure and implications on the AI infrastructure.

This report is not meant to be an investment piece, or a recommendation – it reflects the independent view that the author had formulated through different sources (AFR, BBC, The Guardian, ASX).

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I – Context:

Firmus is a Tasmanian-born startup, born in 2019, that initially designed systems for more than a thousand GPUs, while also structuring crypto computing platform, and who later specialised in designing AI-based data centres, under the AI Factory platform, including different structures, including cooling systems, and with a various amount of approaches, including Project Southgate destined at design and deploy sovereign, and energy-aligned infrastructure across Australia in what it would be the first Green AI Campus across the country, deploying more than 36,000 Nvidia accelerators. The firm has earned different certificates across the AI-infrastructure sector, including the MLPerf Certification for industry-leading benchmark results, or the APAC Data Centre Project of the year in 2024. The firm obtained a credible reputation, with different institutions, including Nvidia, Blackstone, or Jane Street backing the startup.

Firmus initially announced plans for a stock market debut that valued the company at more than $30 billion, a float that would have been the second-largest IPO on the ASX after Telstra's listing in 1997. Nonetheless, demand has cut over structuring the valuation of the IPO, with the initial share price of AUD $ 11 being cut to AUD $8.25, before the company announcing on October 9 its intention to pull away from the IPO for the moment, citing "recent market volatility and prevailing market conditions", signalling a new commitment to seek alternative capital, including private capital.

History of the IPO's horizon – a conflicting scale:

Date	Event	Estimated Valuation
Sep 2025	Firmus becomes a unicorn → valued at AUD $1.85 billion	Roughly AUD $1.85 billion
Feb 2026	Firmus secures $US 10 billion financing package from Blackstone and supported by Coatue to support Australian AI factories	Roughly USD $5.5 billion
June to August 2026	Asian strategy pivoting (USD $30 billion investment to build an AI factory in Indonesia); private round	Roughly USD 10 billion
October 2026	IPO aimed at raising $AUD 7 billion to $43.7 billion	Roughly USD 30 billion
October 2026	Repricing of the IPO, share price at AUD $8.25	Cut by roughly 25%
9th October	IPO called off – withdrawn	Private market horizon

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II – Reasons for the IPO failure:

2.1 – Extreme valuation:

As per FY2026, Firmus generated solely $US50.8 million in operating revenue, which represented 30 times less than the projected IPO entry price of $11, which would have valued the firm at roughly $US30 billion. Nonetheless, the scenario assumptions made in the valuation have been overexaggerated, with the firm estimating its FY2029 projected forecast on operating revenue at $US12.9 billion, which looks unrealistic, given the recent cooldown and questioning around the AI budgeting, and the current investments that major firms, including OpenAI or Claude would propose. It may be easy to also assume that other factors, including cost synergies, infrastructure progress, depreciation of capitalised assets, or the highly incurred CAPEX might not have been treated regularly. This also raised questions about the viability of the size, given that it would have got the same valuation as Woolworths, Australia's largest supermarket chain.

2.2 – Reliance on EBITDA as a major metric:

The pre-IPO discussion of Firmus was fixed around its projected EBITDA, with the EV/EBITDA multiple used as a main indicator. The issue is that an EV/EBITDA multiple is not always the right indicator for conducting a valuation on an AI-based infrastructure, especially given the potential impact of depreciation, large CAPEX, or uncertain growth factors on the firm's actual EBITDA. Furthermore, interest expense, depreciation, replacement CAPEX or the generated discounted cash flows are important.

2.3 – Limited industry experience at the top:

The key factor that has been ignored across the deal has been the limited track record of Firmus' senior leadership in delivering data centre on all the infrastructure that has been proposed, with only two operational facilities being functional, all while having capacity that was forecasted on paper, but yet to be completed in practice. Different risks, including execution risk can soar if the operational capacity of a firm increases, especially given the low size of the firm's revenue scalability.

2.4 – Pre-IPO shareholder stress:

According to some quoted sources coming from the AFR (Australian Financial Review), it has been reported that only 42.4% of Firmus' shares were to be listed, with the rest being free to trade at the IPO's predicted launch, highlighting the issues for shareholders or for investors from day one, especially for the investors entering Firmus' supposed listings at lower valuations, with questions over the selling of potential shares having become one of the reasons why the marginal demand for shares has decreased, and which led eventually Firmus to cut its entry IPO price to AUD $ 8.25.

2.5 – No local support of the project:

Local major players across the buy-side, including Australian fund managers such as UniSuper, decided to not take part of the IPO, with John Pearce (the CIO of UniSuper) declaring that the valuation was not "complete" and "credible enough" for them to take part, with concerns also being raised over the usage of debt on the future funds and investments of the firm. Further concerns were raised over the valuation for future earnings for assets, 12 times higher than they should be, given their low lifespan of eight years, especially given the profile of Firmus who has yet to prove itself as a major scale player, and who will need to borrow large amounts of money in the foreseeable future.

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This also draws on the major blow for the deal being linked to the overpricing of the IPO, and also matters for the local scale, as Australian super funds are not passive participants, but rather gatekeepers who need guarantees and stabilised revenue streams.

Lastly, this has also proved difficult for local communities, who hadn't known about the firm's operations previously, and who were already protesting against the building of AI data centres across Tasmania, especially after Tasmania's energy minister revealed in June that Firmus wanted to build two more AI data centres across the island, signalling the low credibility and the unknown of the firm's profile prior to the IPO context.

2.6 – Fast-paced deescalation of the deal:

The deal has seen significant evolutions and panic over its structure in the days before the confirmed withdrawal:

- Monday: Firmus was getting ready to assess its demand, with its investment bankers (Morgan Stanley, JP Morgan) recording investor demand to determine the final share price and amount of shares to issue, with all institutions nonetheless confirming that the price was above the offer size.
- Tuesday: while no public signs of stress were initially recorded, private discussions revealed that concerns were raised after 50% of the shares were due to be controlled by Wall Street firms (Jane Street, Blackstone), while questions whether retail investors could become the "liquidity exit strategy for some of the early investors".
- Wednesday: the bankers of Firmus were not getting the demand that was forecasted, with hedge funds providing $US150 million due to the increased pressure, pinpointing once again on the streamed revenue forecast that was based mostly on unbuilt facilities across Australia and South-East Asia, and where it became clear that the IPO needed repricing, and where superfunds were no longer interested in funding $700 million, after the initial raising of $7 billion was cut to $4 billion.
- Thursday: bankers of Firmus were always obliged to get new commitments from interested parties, which led to representatives withdrawing from a scheduled appearance at a parliamentary inquiry on AI, which was contrasting to the previous scenario where Firmus was due to close its bookbuilding process.
- Friday: the final withdrawal of the listing on the ASX, with Firmus confirming its intention to pursue private capital markets as an alternative.

III – Second-order effects across markets:

- **Listed-holder contagion:** Maas Group (ASX: MGH) was a decrease of roughly 30% intra-day, which represented the stake that was meant to re-rate up on the float.
- **A missed opportunity for the ASX:** as John Pearce from UniSuper pointed, it is a disappointment for the ASX, which "needs new stories". This also represents a shrinking in a context where the IPO pipeline across the ASX has been thin, with only 92 listings in 2025. While the float was meant to bring the S&P ASX 200 on the spotlight of stock exchanges, it failed to do so, with investors being cautious regarding the stock exchange in an already challenged context given the macroeconomic pressure on the Australian market and economy.

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- **Signal for AI-Capex:** the first high-profile public market rejection of an AI-infrastructure firm signals further concerns amid the increased AI borrowing costs.

IV – Key lessons:

As I have followed the recent reporting over Firmus, I have flagged different risks that were already signalled and spotted by specialists, while also giving further details prior to the withdrawal. Firmus is a specific failure that could signal a new way of thinking investments around AI, but this could apply to any potential IPO that may be proposed.

4.1 – Valuation:

- A multiple based on forecast earnings is in effect a bet on the success of execution, and it is treated as though this outcome is certain. In the case of assets that require heavy capital expenditure and are in the pre-scale stage, "13 times FY29 EBITDA" effectively assumes that the build costs, the power supply and the depreciation will all be fulfilled year after year. The more distant the earnings figures are from now, the more the multiple actually reflects an assumption regarding execution disguised as a valuation, and therefore it is necessary to stress the denominator, not just the multiple.
- Private marks are not public prices. The fact that there was a 3x step-up over two private rounds gave the public book no information other than the degree of motivation shown by the last insiders. When public buyers carry out their own underwriting they start from scratch; a high private mark is something to defend, not an indication of value.

4.2 – Structure of the deal:

- The way the funds are used is a central issue, not a minor point. The idea that primary capital is invested to promote growth and that secondary selling is used to allow insiders to cash out are two opposing views.
- Once a company's foundations have shifted, this has a greater damaging effect on confidence than poor figures do. It is worse for a key partner to leave a major project during the bookbuilding phase than having a bad figure, since it makes all the other facts disclosed appear as if they are uncertain, with stability of the narrative being key to stabilise and drive a credible price to potential shareholders.

4.3 – Buy-side’s commitment:

- The quality of sponsorship helps to establish credibility but not valuation. Famous backers (such as Nvidia, Blackstone, Coatue and Jane Street) are invited to the meetings, but they do not have the power to set the price. It is the disciplined buyers who underwrite the asset, not the names on the cap table, and they were correct to do so.

4.4 – General conclusion:

The Firmus failed IPO shows how arrogance, overconfidence in the project along a mis-reading in risk appetite, lack of concrete sustainability around valuation, and uncertainties across the market can lead a project that is deemed as being large and beneficial, to being completely withdrawn from the market.

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Firmus wanted to always side firms with large credibility, including Nvidia or Blackstone in its deal, while also discouraging any investors or any local actors, including Australian large funds, to participate in the buy-side process, especially with many investors feeling betrayed about the profile change of the firm across its investments, or the different changes in partnerships concluded. A series of overestimated demand for shares, a reliance on unbuilt infrastructure, or any unrealistic projection around the operating revenues of the firm could impact an IPO to project itself. Instead of becoming the second largest listing on the ASX, Firmus didn't start with its fundamentals and in its right approach on consulting partners and potential shareholders, leaving the public market for finding alternatives on private markets.

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Appendix:

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