

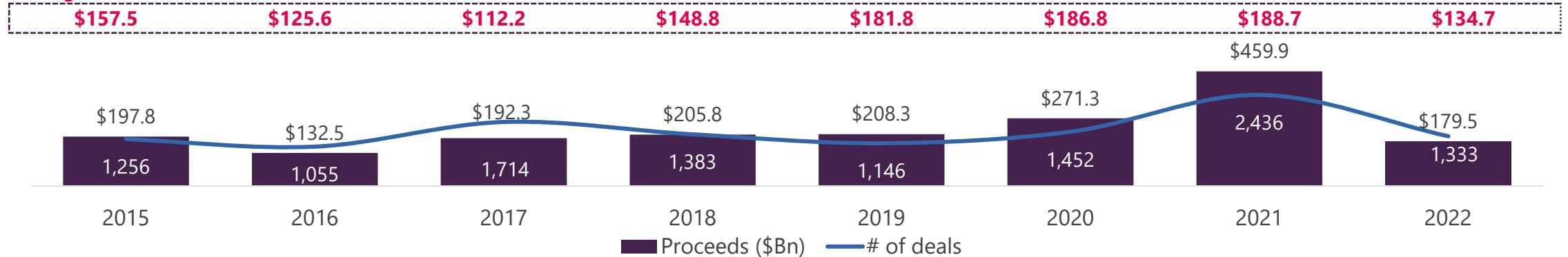
• Innovative Analytics Solutions

# Global IPO **2022** Market Update

# Macroeconomic Headwinds in 2022 Led to 'Wait and Watch' Approach

## Global IPO Market Overview

Average IPO Value (\$M)



- Over the years, IPO activity has been fluctuating. It reached a peak in 2021 (2,436 IPOs) but reverted to pre-pandemic levels in 2022 with 1,333 IPOs.
- In 2022, the Global IPO market slowed down, with an almost 45% drop in the number of deals and a 61% drop in proceeds (compared with a record-breaking 2021). Comparing the deal activity with pre-pandemic 2019-year, global IPO offerings are still up 16% in 2022.
  - As a result of the Russia-Ukraine war, the energy supply shock drove energy prices higher, with inflation hitting Europe the hardest. This created a favourable environment for energy companies to go public, boosting IPO activities in the Middle East, China, and ASEAN countries.
  - IPO proceeds from the software sector declined by 92% from \$120Bn in 2021 to \$10Bn in 2022. Semiconductor companies gained a spotlight in 2022 including the capital equipment segment which topped the proceeds in technology sector after generating proceeds of \$15Bn in 2022.
- Decline in Global IPO activity in 2022 was primarily driven by rising volatility caused by geopolitical tensions and macroeconomic factors, weakening stock market/valuation, declining valuation, and poor post-IPO share price performance
  - Increasing market volatility led to a dramatic decline in 2022 IPO activity, which led to the postponement of several IPOs
  - Financial Sponsors have reduced exit activities and investors are reallocating their portfolios to less risky assets

# Themes / Factors Impacting 2022 Global IPO Market

## Key Trends and Reasons for Global Slowdown

### Trends

- 2022 started off witnessing a steep decline in IPO, from both perspectives -- the number of deals, as well as proceeds. The deals were primarily affected by the geopolitical and macro economical issues
- The technology sector topped the global IPOs in terms of the number of IPOs (23% of deals) and the energy sector topped in terms of proceeds (22% of proceeds)
- Cross-border activities were also reduced by 61% in deal numbers and 89% in total proceeds
  - Majorly affected by reduced inbound IPOs and a pause in listing of Chinese companies in the US exchanges
  - Switzerland became the 2<sup>nd</sup> most active cross-border listing destination by listing 8 Chinese companies in secondary listing
- Even after a sharp decline, 2022 Global IPO deals were still 16% more in number as compared to the pre-pandemic levels (2019)

### Reasons for Slowdown

#### Volatile and Unstable Markets

- IPO activity in the Americas dropped to the lowest level in the last 13 years primarily due to the volatility and the policies undertaken by the Government in order to fight inflation and possible recession
- APAC IPO markets outperformed the other markets driven by China

#### Risk of Recession

- In 2022, almost all the major central banks across the globe raised interest rates to fight inflation. The UK was hit the hardest with inflation, interest rate hikes, and recessionary fears.

#### Low Performance by IPOs

- The IPOs listed in 2021 are trading close to the issue prices, resulting in lower investor confidence, resulting in a shift of focus to low-risk assets
- The pipeline for IPOs is huge as many companies are planning to launch the IPOs in the healthier market conditions

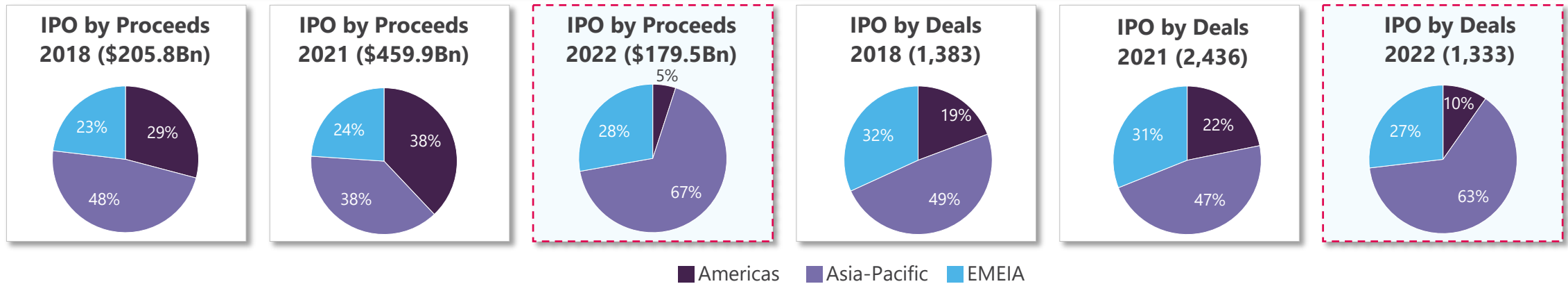
### Expert Views on Slow Down Justification

“The reason companies aren't coming to market isn't because the public market currency isn't strong. In fact, our pipeline is tremendous. The reason these aren't coming to market is because of all the volatility in the market. We are hopeful that the second half of '23 becomes an opportunity for companies to get out, but I would expect a quiet first half. I am quite confident that the IPO market activity will return very quickly in the new year.”

- Lynn Martin, President of New York Stock Exchange

# Asia-Pacific Has Attracted Highest IPOs Over the Years

## Shift of IPO Markets Regionally Over the Last 5 Years

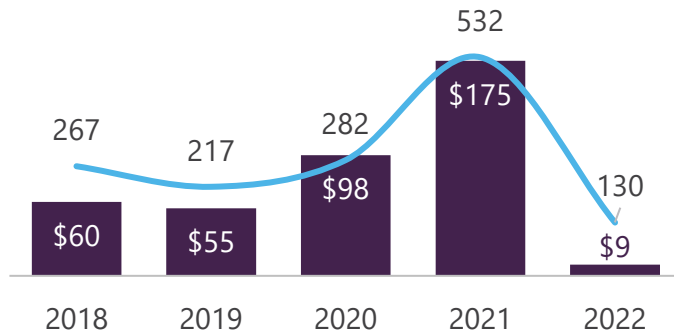


- 2022 IPO market returned to the pre-pandemic values primarily affected by the Russia-Ukraine war and several other macroeconomic factors in the West.
- **The Americas** witnessed significant growth in terms of deals (#) and IPO proceeds from 2018 to 2021 but dropped significantly in 2022
  - Interest rate hikes, volatility, falling earning estimates, and the continuous underperformance by stocks have drastically affected the IPOs in terms of number (#) and proceeds in the Americas
  - **2022** recorded 95% lower proceeds and 76% lower deals (#) YoY, primarily driven by lower valuations due to market uncertainty & geopolitical tensions, inflationary pressures, rising interest rates & supply chain disruptions
    - Health and Life Sciences IPOs topped the market with 33 IPOs and generated \$2.4Bn in proceeds
- Over the years, increase in inflationary and interest rate pressures, geopolitical challenges, and exchange rate movements has created a volatile and unstable environment for IPOs in the **Asia-Pacific** region but due to many developing countries in the region, APAC held the largest share in 2022 IPOs
  - **2022** Asia-Pacific markets performed relatively better and benefitted from the two largest global IPOs YTD (LG Energy Solution and China Mobile)
- **EMIEA (Europe, Middle East, India, and Africa)** market share has been constant in the last 5 years by deals (#) but declined in proceeds
  - **2022** IPO activity almost halved YoY, primarily due to the geopolitical situation in Europe, partially covered by mega IPOs in MENA region and positive Indian IPO activity

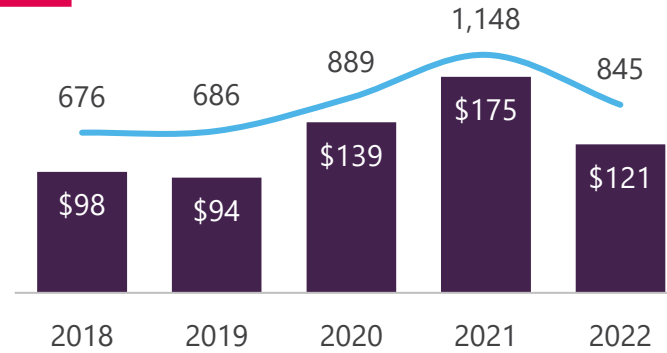
# Global IPO Market by Geography – Gross Proceeds (\$Bn) and Deal Volume

## Regional IPO Performance 2022

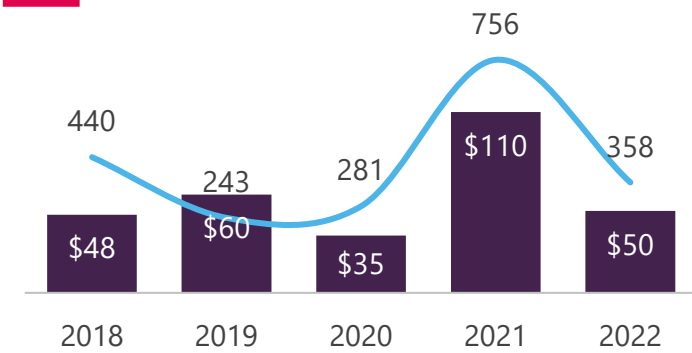
### Americas



### Asia-Pacific



### EMEA



■ Proceeds (\$Bn)    — Number of Deals

- 2022 Americas IPO market reached its lowest level in the last 13 years by volume
- US and Canada recorded a slowdown, driven by persistent market and macro challenges and fluctuating investor confidence
- Brazil reported only 1 IPO in 2022, due to market volatility but the return of the Brazilian IPO market will be tied to fiscal policies
- Health and Life Sciences led the market with 33 IPOs (\$2.4Bn proceeds), followed by Materials and Technology

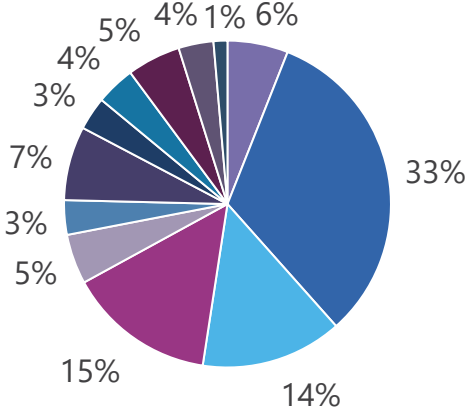
- 2022 APAC market was least hit by the global economic downturn and geopolitical tensions but witnessed a 26% and 31% fall in IPO volume and size respectively
- Mainland China raised record amounts of proceeds; South Korea saw the largest IPO of LG Energy Solutions
  - Indonesia & Malaysia markets have also done well by deal numbers and proceeds
- Technology led the market with 219 IPOs (\$29.6Bn proceeds), followed by Industrials

- 2022 EMEA IPO slowed down, driven by tensions in Ukraine and high inflation rates due to rising food & energy prices, market volatility
- EMEA delivered 5 out of the top 10 IPOs with Deutsche Börse the second largest globally
- MENA IPO proceeds rose by 115% YoY, whereas India was the only region with positive YoY growth, by number of deals (3%) though proceeds were down considerably
- Technology led the market with 69 IPOs (\$4.0Bn proceeds), followed by Industrials and Materials

# Global IPO Activity by Sector – Gross Proceeds (\$Bn)

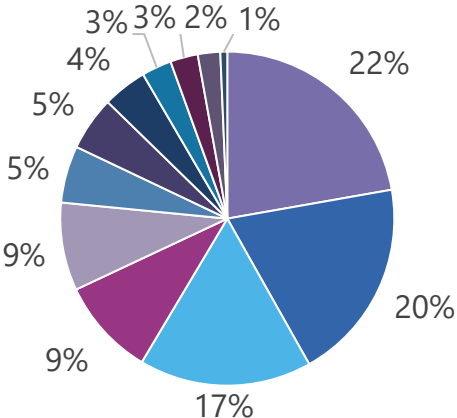
**ESG Focus and Rising Oil Prices Pushes Growth in Energy Sector**

**2021 IPO Proceeds (\$459.9Bn)**



- Energy
- Technology
- Industrials
- Health and Life Sciences
- Materials
- Telecommunications
- Financials
- Retail
- Consumer Staples
- Consumer Products
- Real Estate
- Media and Entertainment

**2022 IPO Proceeds (\$179.5Bn)**



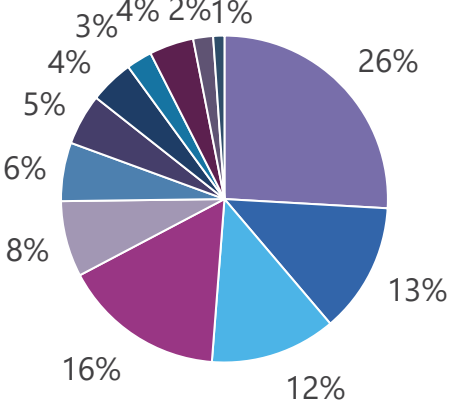
- **Energy** sector overtook Technology by gross proceeds with average deal size increasing from \$196M to \$444M, as ESG and clean energy-focused IPOs attracts investors globally
  - Companies operating in green hydrogen, renewables, battery storage and e-mobility space have launched IPOs in the past 12 months to fund their expansion plans
  - In order to diversify economies away from oil by utilizing the IPO proceeds and to fund their clean energy-related targets, Gulf countries begin plans to bring their state-owned utilities to the public markets
    - Dubai Electricity & Water Authority (DEWA) raised \$6.1Bn, to reduce its exposure to hydrocarbons & help UAE’s energy transition to net zero by 2050
- Lower valuations pulled **Technology** sector down due to unstable macroeconomic environment
- **Telecommunications** was primarily driven by Mega IPO deal in 2022 (China Mobile Ltd, with gross proceeds of \$8.2Bn)
- **Industrials** will see growth in demand from electrification and represented 17% of Gross Global IPO proceeds in 2022



# Global IPO Activity by Sector – Deal Volume

## Technology Led Deal Volume in 2022, with Industrial Gaining Momentum

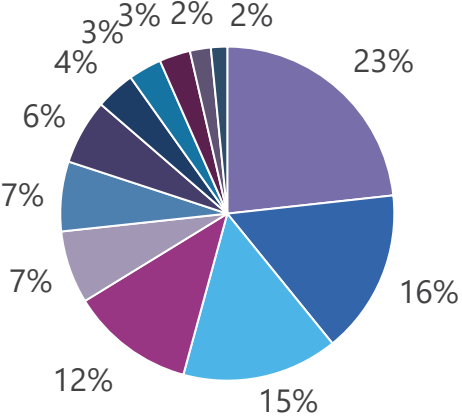
2021 IPO Volume (#2,436)



- Technology
- Materials
- Consumer Products
- Consumer Staples
- Retail
- Media and Entertainment
- Industrials
- Health and Life Sciences
- Energy
- Real Estate
- Financials
- Telecommunications



2022 IPO Volume (#1,333)



- **The technology sector** continued to lead in 2022, however the average IPO deal size came down from \$236 M to \$113 M
  - Decrease in technology IPOs (310 in 2022 from 631 in 2021), was primarily driven by:
    - Decline in valuation as a result of increase in interest rate and weakening stock market
    - Steep fall in valuation and poor post-IPO share price performance
- **Materials** sector # of IPOs declined from 303 in 2021 to 201 in 2022
- **Industrials** sector declined in 2022 primarily due to market uncertainty but as end marketplaces are focusing on sustainability, industrials are projected to see growth from Electric vehicles, batteries and renewable energy generation
- **Health and Life sciences** IPO remained significantly down as compared to 2021, depicting diminished investor interest in the sector
  - Apart from investor interest, another major reason includes the poor performance of the companies that went public in last 2 years



# Top 10 Largest IPOs 2022 (Global)

Priced Date	Issuer Name	Issuer Country	Sector	Exchange	Proceeds (\$Bn)
14-Jan-22	LG Energy Solution	South Korea	Energy	Korea (KRX)	10.7
28-Sep-22	Dr Ing hcF Porsche AG	Germany	Retail	Frankfurt (FWB)	8.7
05-Jan-22	China Mobile	China	Telecommunications	Shanghai (SSE)	8.2
06-Apr-22	Dubai Electricity & Water Authority – DEWA	The UAE	Energy	Dubai (DFM)	6.1
11-Apr-22	CNOOC	China	Energy	Shanghai (SSE)	5.1
12-May-22	Life Insurance Corporation of India	India	Financials	India (NSE)	2.7
31-May-22	Borouge	The UAE	Energy	Abu Dhabi (ADX)	2.0
24-Nov-22	Americana Restaurants	The UAE	Consumer Products	Abu Dhabi (ADX)	1.8
14-Sep-22	Corebridge Financial Inc	US	Financials	US (NYSE)	1.7
09-Aug-22	Shanghai United Imaging	China	Health and Life Sciences	US (NASDAQ)	1.6



# Global IPOs Bookrunner Ranking

2022 Rank	Bookrunner	2022		2021 Rank	2021	
		Value (\$Bn)	Number of Deals		Value (\$Bn)	Number of Deals
1	CITIC Securities	\$14.56	72	11	\$13.40	88
2	CICC	\$7.60	50	14	\$8.48	59
3	Citi	\$7.22	36	2	\$41.65	270
4	China Securities Co Ltd	\$7.20	41	16	\$6.80	46
5	Goldman Sachs	\$6.16	25	1	\$42.55	280
6	Huatai Securities Co Ltd	\$5.01	40	17	\$6.60	46
7	Morgan Stanley	\$4.90	36	4	\$34.46	252
8	BofA Securities	\$4.74	28	5	\$29.39	247
9	Haitong Securities Co Ltd	\$4.44	43	13	\$9.06	74
10	Guotai Junan Securities	\$4.28	47	22	\$4.89	32

# Global IPO Outlook for 2023

## Inflation, Interest Rates and Potential Recession

- Market sentiment is dominated by concerns over inflation, the extent and longevity of interest rate actions from central banks, and recession
- According to experts, if any company is planning to launch their IPO in 1H23, the buyers and analysts most probably will lower the valuation
- 2023 IPO market can only recover if the secondary markets are in stronger condition. 2022 market correction has made the global market attractive for long term investors

## ESG Continues to Gain Momentum

- Growing ESG concerns led to increased focus from equity investors and will be a critical factor in investment decisions
- As the global climate change and energy supplies' constraint intensify, companies that have embedded ESG into their core business values and operations will attract more investors and higher valuations
- Alternative energy received favorable attention from investors especially in EMEIA, given European Green Deal, an action plan to lead the EU to carbon neutrality by 2050

## Global Economic Uncertainty

- Geopolitical tensions and other economic concerns created volatility and impacted the capital markets
- While markets continue to be volatile, and uncertainties on economic recovery remain for reasons including geopolitical tensions, trade and other sanctions affecting energy and food supplies, inflation, interest rates and other supply chain disruptions, there is a risk that IPO activity will continue to slow further as many choose to postpone their transactions
- Global activity almost halved in 2022, with only 1,333 IPOs as compared to 2,436 in 2021 (with Americas market seeing the biggest decline)

## Decline in SPAC boom

- SPAC IPO activity reverted to pre pandemic levels in 2022; 147 SPACs raised \$17Bn globally, a significant reduction from the peak of 2021 where 676 SPACs raised \$172Bn
- With an investment period of 24 months, the boom in SPAC IPOs seen in 2020 and 2021 has resulted in more than \$75Bn of funds held in US SPACs with an investment date expiring in 2023
- New SPAC issuance is likely to continue downwards with many existing SPACs facing an uphill battle to close mergers before their maturity

# Expert Views

*"A record year for IPOs in 2021 gave way to increasing volatility from rising geopolitical tensions, inflation and aggressive interest rate hikes. Weakened stock markets, valuations and post-IPO performance have further deterred IPO investor sentiment. As the pipeline continues to build, many companies are waiting for the right time to revive their IPO plans. Still, with tightening market liquidity, investors are more risk-averse and favor companies that can demonstrate resilient business models in profitability and cash flows, while clearly articulating their ESG agendas"*

**- Paul Go,**  
EY Global IPO Leader

*"At the moment, many companies have already filed with the SEC and are in 'standby' mode. This pause in the IPO can also be characterized positively, as many companies have started to change their business models (correcting deficiencies, improving financial performance). Overall, given a large number of IPO orders, some companies are able to 'probe' the market"*

**- Maxim Manturov,**  
Head of investment advice,  
Freedom Finance Europe

*"Large international events such as the Expo 2020 in the UAE and the FIFA World Cup in Qatar, along with some mega IPOs such as Saudi Aramco's \$29bn IPO in 2019, have increased investors' awareness of the Middle East region's potential. The sheer volume of transactions has also led to growing liquidity in the region, most notably in Saudi Arabia and the UAE. In December, we witnessed the first ever dual listing across Saudi Arabia's Tadawul and UAE's ADX by Americana Restaurants International that resulted in \$2bn of proceeds. I expect the Middle East IPO momentum to continue into 2023 although geopolitical instability in other corners of the world may bring some uncertainty"*

**- Muhammad Hassan,**  
Capital Markets Leader, PwC Middle East

*"2022 will be remembered for the perfect storm of well-documented headwinds. However, recoveries from past retrenchments in IPO activity provide optimism that the current market dynamics will not be for an extended period of time. Market volatility needs to subside and investor confidence to return for the IPO market to recover. Companies focusing now on public company readiness will maximize optionality for when markets re-open"*

**- Rachel Gerring,**  
EY Americas IPO Leader

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Outlook and Key Takeways

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Global IPOs Bookrunner Ranking

Top 10 largest IPOs 2022 (Regional split)

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