

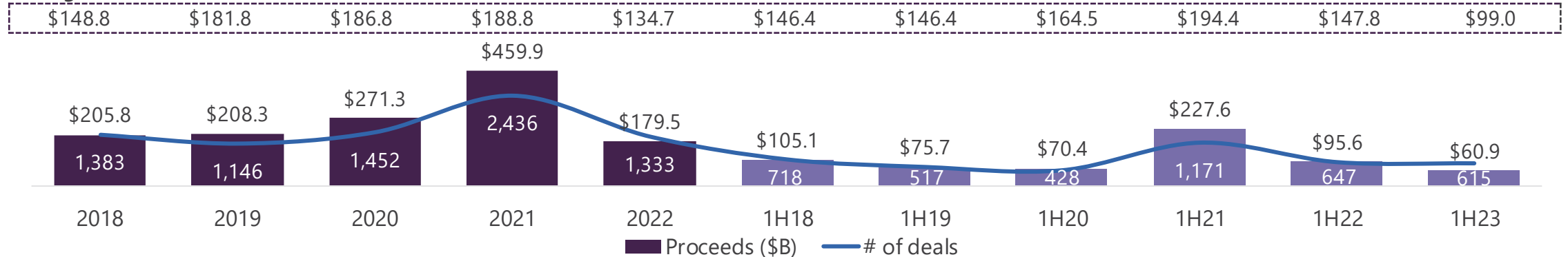
• Innovative Analytics Solutions

# Global IPOs Experience a Moment of Tranquility Amidst the Chaos – 1H23 Update

# Declining IPO Activity amid Macroeconomic headwinds and volatility

## Global IPO Market Overview

### Average IPO Value (\$M)



- Over the years, IPO activity has increased reaching its peak in 2021 with 2,436 IPOs and decreased significantly 2022 onwards
- In 2022, Global IPO market started declining significantly primarily driven by macroeconomic factors, geopolitical factors, downfall in SPACs, increased regulations by SEC on SPACs, Russia-Ukraine war and other factors
  - In 2021, IPOs reached its highest level with \$459.9B raised in gross proceeds, primarily driven by COVID-19 which made SPAC more appealing for going public with less regulations and cost
- Global market IPO further declined in 1H23 as compared to 1H22; in 1H23, there were total 615 IPOs raising \$60.9B proceeds with a drop of 5% in # of deals and 36% drop in terms of proceeds
- The recent fall in IPO market is attributable to various factors including sudden banking crisis, increased regulations by SEC and geopolitical concerns
  - Market volatility led to decline in IPO activity, as well as the postponement of several IPOs
  - The combination of lackluster post-listing performance and dwindling investor sentiment has resulted in reduced IPO activity
  - Asia-Pacific has outperformed rest of the markets with highest number of IPOs globally

# Themes / Factors Impacting 2023 Global IPO Market

## Key Trends and Reasons for Global Slowdown

### Trends

- 2Q23 saw improvement in IPOs as compared to 1Q23; however, the market is still below the 2Q22 figures
- Asia-Pacific saw a 12% growth in total proceeds generated YoY fueled by multiple regional growth momentum while on the other hand EMEIA saw a drastic 57% decline in proceeds generated
- Share of global IPO proceeds for Americas dropped from 38% in 2021 to 5% in 2022 and bounced back to 15% in 1H23
- Indonesia depicted strong growth momentum driven by demand for mineral rich resources needed for EV sector
- Cross-border activity saw a rise due to a flurry of Chinese companies' listings on the US market exchanges but deal count / proceeds size was much lower than those in 2021

### Reasons for Slowdown

#### Volatile and Unstable Markets

- Geopolitical tensions and macroeconomic factors led to mass equity market selloffs in favor of safe commodities
- The banking crisis in March created highly unstable market conditions for companies to launch their IPOs

#### Competition from Private Equity Firms

- Companies are finding it more appealing to seek funding from Private Equity firms rather than going public
- Enable firms to access the necessary capital and expertise without the scrutiny and requirements of being a publicly traded company

#### Lack of Investor Appetite

- Investors are increasingly becoming selective, favoring companies with a proven track record of profitability and growth potential
- This has made it more challenging for companies that are not yet profitable to go public

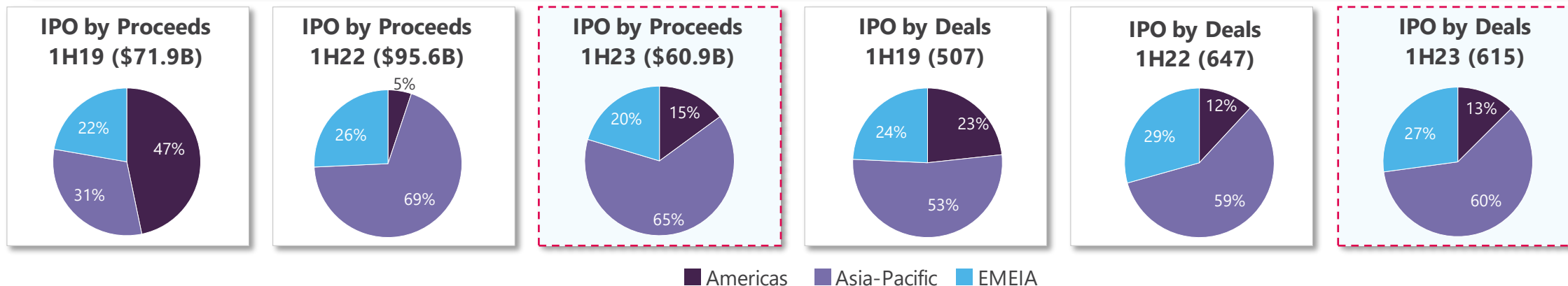
### Expert Views on Slow Down Justification

“The macroeconomic optics pertaining to the risk factors relevant to the capital markets include; rising inflation rates that may incentivize central banks to further tighten monetary measures, thus increasing discount rates over the short to medium term, resulting in lower valuation estimates; and negative market sentiment over the anticipation of a global recession amid the recent global banking turbulence making it suboptimal for firms looking to raise equity funds in the public markets.”

EY Indonesia

# Asia-Pacific Has Attracted Highest IPOs Over the Years

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

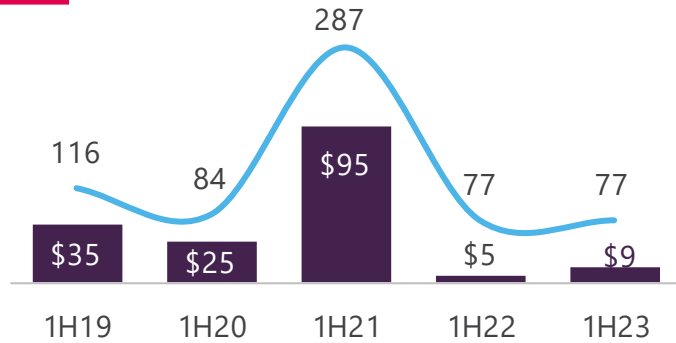


- Over the years, **Americas market** has witnessed a significant decline in terms of 35% drop in deals (#) and 73% drop in IPO proceeds from 1H19 to 1H23
  - Valuation decline, macroeconomics factors across the sectors impacted the Americas IPO timing and capital raising
  - Americas saw an uptick in IPO proceeds generated in 1H23 as compared to 1H22 with an increase of 86% YoY
- Overall, the global IPOs saw an improvement in IPO activities in 2Q23 as compared to 1Q23 driven by increase in fundraising in Q2
- Over the last 5 years, the share of **Asia-Pacific** region has increased significantly from 53% 1H19 to 60% 1H23 in IPOs by # of deals and 31% in 1H19 to 65% in 1H23 in IPO by proceeds.
  - APAC has been outperforming rest of the world in IPO listing and proceeds generation since the COVID-19 pandemic
  - There have been no inbound cross-border listings in 1H23; however, 31 out of 41 YTD global outbound listings came from APAC (22 from China)
- EMIEA's** share in IPO proceeds decreased from 22% in 1H19 to 20% in 1H23, while its share in IPO deals increased from 24% in 1H19 to 27% in 1H23
  - In 1H23, the inflation levels in Europe are still challenging; further, the lack of liquidity is keeping the IPO activity on Hold
  - The top 3 sectors by IPO volume are Industrials, Materials and Technology
  - Despite rising interest rates, the main market indices in 2H23 are expected to continue to trend upwards resulting in higher IPO activity

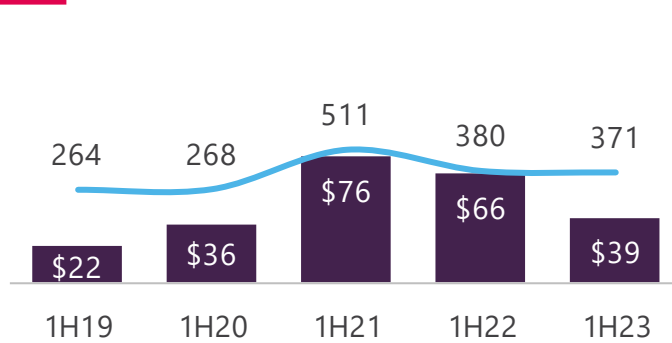
# Global IPO Market by Geography – Gross Proceeds and Deal Volume

## Regional IPO Performance 1H23

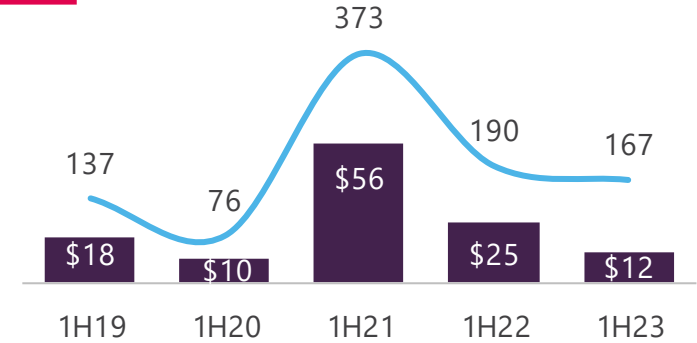
### Americas



### Asia-Pacific



### EMEA



■ Proceeds (\$B)

— Deal Volume

- Americas IPO market in 1H23 continued slowly like 1H22 but saw a push in proceeds generated driven by few large deals
- US saw an 87% & 25% increase in proceeds and # of IPOs, respectively
- Canada IPOs decreased by 58% to 11 listings and Brazil did not see any listing amid market volatility and uncertain political climate
- Health and Life Sciences led the market with 13 IPOs (\$1.1B proceeds), followed by Industrials and Technology

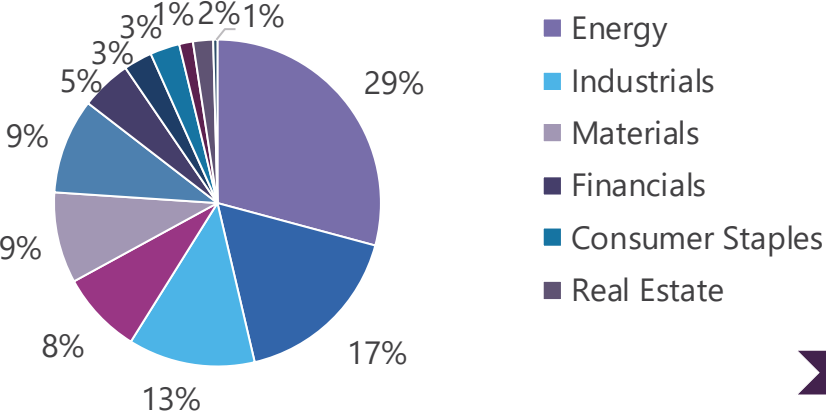
- In 1H23 APAC market led the Global IPO market with ~60% share in # of deals but overall saw a drop of 40% YoY in proceeds
- Japan stock market reached 33-year high due to low interest rates and depreciating Japanese Yen reducing the investment cost
- Despite a very quiet 1H23 in South Korea, the country is expected to see a rising number of IPOs in the second half
- Technology led the market with 87 IPOs (\$11.4B proceeds), followed by Industrials and Materials

- 1H23 EMEA IPO started slow with 167 listings and \$12.4B proceeds, decreasing 12% and 50% respectively, YOY
- The decline was driven by high inflation and economic slowdown in Europe
- Indian exchanges topped the global stock market ranking with 80 listings (33% increase YoY) in 1H23 driven by SME IPOs showcasing the entrepreneurial activity
- Industrials led the market with 26 IPOs (\$2.4B proceeds), followed by Materials & Technology

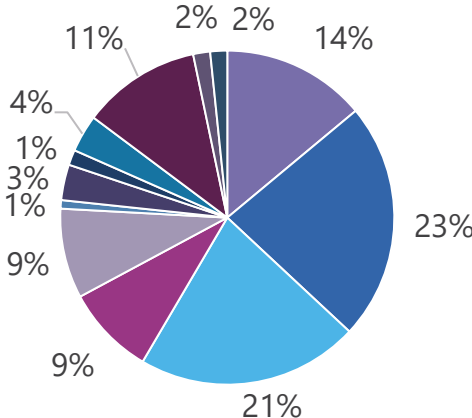
# Global IPO Activity by Sector – Gross Proceeds

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

**1H22 IPO Proceeds (\$95.6B)**



**1H23 IPO Proceeds (\$60.9B)**

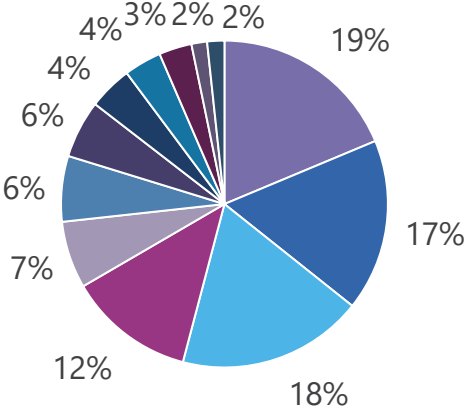


- **Technology** sector overtook Energy by gross proceeds with average deal size of \$113M driven by the push for semiconductor self-sufficiency in Asia, mainly in Mainland China
  - China software companies account for a significant share of global software sector proceeds with a focus on engineering, cloud and business & vertical software-as-a-service applications
- **Energy** sector IPOs remained significant by accounting for 14% share in the global proceeds driven by high-value power generation deals in China and Oceania (Australia and New Zealand) market focusing on lithium exploration projects, reflecting the increasing the global demand for EV batteries
- **Industrials** sector recovered in 2Q23 primarily due to the willingness of issuers to pursue larger manufacturing markets globally
  - Manufacturers in China are seeking capital to support growth in precision and specialized manufacturing, automotive and aerospace
  - In the US, key growth areas include automation services since the companies are investing in digital transformation of manufacturing operations
- Overall, **Energy** sector dominated the IPO Proceeds market with four of the Top-10 IPOs and followed by Technology and Industrials both having 2 offerings

# Global IPO Activity by Sector – Deal Volume

## Technology Led Deal Volume in 1H22, with Industrial Gaining Momentum

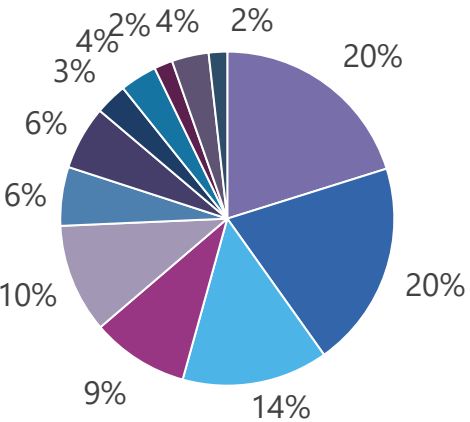
1H22 IPO Volume (#647)



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



1H23 IPO Volume (#615)



- **The Technology sector** continued to lead in 1H23, however the average IPO deal size came down from \$136M to \$113M
  - The number of IPOs in technology remained stable with 124 in YTD23 from 121 in YTD22
- **Industrials** sector increased from 110 IPOs in 1H22 to 123 in 1H23 because of sustainability concerns for manufacturing end markets, supported by new regulations in Europe and the US that provide incentives for local investments in clean energy and more efficient buildings, vehicles and infrastructure
- **Materials** sector deal volume dropped significantly by 27% YoY and **Consumer Products** IPO increased from 43 in 1H22 to 65 in 1H23
- **Health and Life Sciences** IPOs reduced as compared to 1H22 driven by the sector trend that shows that the funding for small- to mid-sized biotech companies has been more difficult to come by now since the industry has come down from its high



# Top 10 Largest IPOs 1H23 (Global)

Priced Date	Issuer Name	Issuer Country	Sector	Exchange	Proceeds (\$B)
03-May-23	Kenvue	US	Health and Life Sciences	US (NYSE)	4.4
03-Mar-23	ADNOC Gas	The UAE	Energy	Abu Dhabi (ADX)	2.5
19-Apr-23	Nexchip Semiconductor	China	Technology	Shanghai (STAR)	1.9
25-Apr-23	SMEC	China	Technology	Shanghai (STAR)	1.8
28-Mar-23	Shaanxi Energy Investment	China	Energy	Shenzhen (SSE)	1.0
30-May-23	CSI Solar	China	Energy	Shanghai (STAR)	1.0
25-May-23	ADNOC Logistics & Service	The UAE	Industrials	Abu Dhabi (ADX)	0.8
08-Feb-23	Nextracker	US	Energy	US (NASDAQ)	0.7
19-Jun-23	PT Amman Mineral International	Indonesia	Industrials	Indonesia (IDX)	0.7
21-Apr-23	ZJLD Group	China	Consumer Products	Hong Kong (HKEX)	0.7



# Global IPOs Bookrunner Ranking

Rank	Bookrunner	YTD 2023		Rank	YTD 2022	
		Value (\$B)	Number of Deals		Value (\$B)	Number of Deals
1	CITIC Securities	\$4.46	28	1	\$6.29	31
2	China Securities Co Ltd	\$4.15	16	2	\$5.17	23
3	CICC	\$3.60	18	5	\$3.67	25
4	Haitong Securities Co Ltd	\$2.85	17	12	\$1.94	21
5	Huatai Securities Co Ltd	\$2.42	15	9	\$2.32	17
6	UBS	\$1.98	15	10	\$2.26	17
7	Minsheng Securities Co Ltd	\$1.89	11	19	\$1.27	10
8	JP Morgan	\$1.68	15	14	\$1.64	16
9	Citi	\$1.66	16	3	\$4.70	18
10	Guotai Junan Securities	\$1.54	15	8	\$2.54	25

# Global IPO Outlook

## Improvement in market sentiments

- Recent market sentiment improvements could lead to increased IPOs activity in the US from late 2023 or early 2024
- Indonesia is expected to continue having a strong momentum driven by the country's rich mineral resources
- Optimistic outlook for Japan as the stock market reached 33-year high and China to make progress to pre-pandemic levels as the economy continues to recover
- India will continue to outperform most of the markets showcasing strong growth in IPO volume

## Delayed Recovery

- Renaissance Capital expected at the start of 2023 that IPO activity should normalize in mid-2023 as companies in the pipeline are awaiting a favorable business condition
- The banking crisis and renewed rate hikes is expected to drag the recovery to later than expected
- According to Yahoo Finance, if the Fed enacts two rates' hikes, each worth 25 bps and stays put then US can see a healthy IPO market in 2024

## Risk aware investors and companies

- Equities remain an attractive asset class, but considering recession concerns, investors will need to find a balance between equities that entail a greater risk, and generally lower-risk assets
- Quality and stock fundamentals will be front of mind for IPO investors. The IPO market has mainly been fueled by fast-growth and tech companies
- Most companies that are planning to list, should show a track record of (or a path to) profitability
- In addition, companies will need to accept the new realities of a reversion of valuations to more historical levels

## Southeast Asia IPO market is set to grow

- Southeast Asia's growth outlook is making the region an investor favorite because of the increase in foreign direct investment in the region
- The International Monetary Fund expects Southeast Asia's growth to slow from 5.7% in 2022 to 4.6% in 2023 citing a slight moderation in domestic demand for Malaysia and Thailand
- According to Deloitte, Southeast Asia's promising capital markets with pro-growth policies, stable macroeconomics, and tech-driven entrepreneurs attract investors

# Expert Views

*"Against the backdrop of a divergent global economy and unpredictable geopolitical landscape, some stock markets are reaching a long-time high and enjoying low volatility. Certain theme-centric sectors such as technology and clean energy are signaling an upswing in IPO activity. Large, well-established companies are demonstrating enduring resilience, while growth narratives with more realistic and acceptable valuation are becoming more receptive by the market. In this shifting environment, companies need to prepare now to be 'IPO-ready' for any forthcoming windows."*

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

*"The registration-based IPO system has broadened listings on the main board. The efficiency of IPO review and issuance have improved. The multi-level nature of Mainland China's capital markets has also become clearer. With gradual economic recovery, government policies for steady growth, A-share IPOs will remain active in the second half of 2023. PwC predicts 280-330 A-share IPOs for the full year and fundraising of RMB 450-500 billion. Mainland China's A-share markets will continue to rank first in the world."*

**- Thomas Leung,**  
PwC China Markets Managing Partner

*"Global IPO activity slowed significantly towards the end of 2022 and has remained sluggish in 2023. This trend is attributed to factors including inflationary pressures and rising interest rates, which have been further exacerbated by the emergence of financial market instability in early 2023. However, there are indications that the situation may be improving. The U.S. Federal Reserve's recent announcement to halt its rate hike is expected to reduce monetary uncertainty, which could motivate IPO applicants to pick up their pace in the second half of 2023."*

**- Paul Lao,**  
KPMG Head of Capital Markets and Professional Practice

*"After a slow start to the year, IPO activity could rebound in the second half. With major risk factors fading, volatility back to a reasonable level, and interest rate hikes priced in, IPO-bound companies are seeking the right window with higher market liquidity. Meanwhile, investors are becoming more selective, taking advantage of a buyer's market."*

**- Dr. Martin Steinbach,**  
EY EMEA IPO Leader