

EY Global IPO Trends

2015 Q1

Global IPOs off to a steady start after strong finish to 2014

Global IPO activity got off to a relatively steady start in 1Q15, compared with both 4Q14 and the same three-month period last year. Capital raised stood at US\$38.2b, down 19% from 1Q14 and 47% from 4Q14. Deal numbers in the first quarter reached 252 IPOs, a decrease of 4% on 1Q14 and 31% lower on 4Q14.

A notable feature of the first quarter's activity was the slower pace of IPOs in the US, which was outperformed by both Asia-Pacific and EMEA in terms of deal numbers and capital raised. Despite the slow start, however, we are encouraged that valuations have been robust and market fundamentals solid, with most indices coming close to or exceeding levels not seen since 2007. Furthermore, the healthy global IPO pipeline means we expect activity to pick up as the year progresses.

US IPOs take a "time-out" in 1Q15

A natural pause

The strength of activity in 2014 is itself part of the reason for the slowdown in the US in the first quarter. IPO activity in 2014 was the busiest since 2000 and the IPO market needed time to absorb the high levels of 2014 activity, particularly in sectors such as biotechnology and life sciences, where the pace of deals has been relentless.

The cyclical recovery in IPO activity is more mature in the US market than in some other regions and stock market valuations ended the year close to record-high levels. A pause is understandable as the market takes time to reset and the pipeline builds back up before the next wave of activity.

Against this backdrop, the number of withdrawn deals in 1Q15, both in the US and globally, showed no significant increase, further suggesting that the step down in the number of deals was due to a temporarily exhausted pipeline, rather than companies reconsidering plans in the face of volatility.

The impact of oil

The global drop in oil prices has an impact on the IPO market through various channels.

When oil prices fall, an immediate effect can be seen in a shrinking energy sector deal pipeline, particularly in the energy and power segment. Energy is also a significant component in US stock market capitalization and contributed to weaker, more volatile equity market performance at the beginning of the year. These less favorable market conditions prompted the postponement or withdrawal of a small number of potential IPOs. Weakness in the energy sector, which impacted investment and employment, also contributed to a higher degree of uncertainty regarding US economic growth potential, which may have subdued sentiment at the start of the year.

Longer term, however, lower oil prices will boost disposable income and should have a positive impact on consumer spending, helping to underpin both US and global IPO activity in consumer-facing sectors.

Contacts:

Maria Pinelli

Global Vice Chair,
Strategic Growth Markets
maria.pinelli@ey.com

Jacqueline Kelley

Americas IPO Leader
jacqueline.kelley@ey.com

Ringo Choi

Asia-Pacific IPO Leader
ringo.choi@cn.ey.com

Dr. Martin Steinbach

EMEA IPO Leader
martin.steinbach@de.ey.com

Shinichiro Suzuki

Japan IPO Leader
suzuki-shnchr@shinnihon.or.jp



**Building a better
working world**



Divergent global performance anticipated for rest of 2015

The outlook for global economic growth in 2015 continues to present a nuanced picture.

US will pick up

US IPO activity is expected to gain strength, supported by strong investor confidence on the back of robust corporate earnings, resilient equity indices and positive economic fundamentals. Another positive trend is the rate at which the pipeline is refilling and from a broad spread of sectors including traditional strong performers such as technology, financial services, retail and consumer products; but also manufacturing and less frequent market entrants such as non-traditional foods.

We believe investors are acting more strategically, communicating better and investment banks are launching IPOs in groups to build market momentum. Listings under the JOBS Act should also continue to drive activity as companies look to leverage the “test the waters” and confidentiality provisions to access the primary market.

Eurozone will strengthen

Signs of stabilization in the Eurozone will help underpin dealmakers' confidence, which has already been given a boost by the European Central Bank's (ECB) announcement of a €1.1t (US\$1.19t) quantitative easing (QE) program. This should bolster liquidity, providing optimal listing conditions for the pipeline of IPO candidates that have been waiting for more stable market conditions before going public. However, there is a risk of some localized near-term slowdowns ahead of scheduled elections in several European countries this year.

Mixed picture in emerging markets

In the major emerging markets, Chinese growth continues to show signs of slowing, although the authorities are easing monetary policy to support the economy. On average, IPOs outperformed the mainland China market by more than 170% in 1Q15. This compares with 18% market outperformance for IPOs on US exchanges in 1Q15. We expect the prospect of high returns to encourage a continuing flow of companies to list on the mainland Chinese exchanges.

Growth in Brazil and Russia remains under pressure, with the latter suffering from weak oil prices and the potential for further economic sanctions. India, meanwhile, continues to benefit from hope of significant economic improvement on the back of recent elections and subsequent reforms that have served to boost business and investor confidence.

Quest for return will continue to fuel cross-border activity

At 9.9%, the proportion of cross-border deals globally remained steady, only slightly down from 10.3% in 2014 as a whole. We believe the US will continue to serve as one of the primary destinations for companies looking to generate value alongside the key European and Asian exchanges. Management teams will need to weigh the options very carefully however – cross-border listings may be more complex, but the higher level of returns may be compelling.

Swing factors influencing market activity

Increasing volatility will impact IPO windows

As volatility increases, opportunities will remain, but conditions may be less predictable. The level of withdrawals or postponement may rise and companies focused on the IPO path will need to be well-prepared with a strong management team, a compelling value story and a price that is in line with investor expectations to maximize periods when market windows are open. Companies set on this path will need to be particularly clear about how the influx of capital post-IPO will enable them to accelerate, rather than simply maintain growth.



Multitracking will grow in importance

A further impact of rising volatility is that in a more uncertain market environment, companies will want to keep their options open and run multitrack strategies – assessing M&A alongside IPO and evaluating multiple potential exchanges to deliver optimal IPO pricing to shareholders.

A multitrack approach is consistent with the portfolio optimization strategy being followed by many companies in pursuit of the right mix of business units to maximize growth.

Alongside this development, we note the role technology is playing in closing the gap between investors and sellers and the rise of a private, large, late-stage investment market evidenced by new private market platforms for “pre-IPO” companies are emerging to support connections between sponsors and companies.

According to *The Wall Street Journal*, there are now at least 73 private technology companies worth more than US\$1b, compared with 41 a year ago.¹ Such developments demonstrate the health of the funding ecosystem at multiple levels – a positive for entrepreneurs and investors.

Legislation and structural change is positive

Legislation was a key driver of IPO activity in 2014, and will continue to play a pivotal role in 2015. The JOBS Act was viewed as one of the great success stories of the year in encouraging new listings, but change was not limited to the US alone.

In China, the continued regulatory and structural reforms, including the IPO registration changes, the launch of the Shenzhen-Hong Kong Stock Connect and broader market liberalization initiatives have the potential to drive market activity domestically and impact the global numbers in the coming year.

More state-owned assets to be put up for sale

The biggest IPO this quarter was the sale of Spanish state-owned airport operator Aena S.A. The pressure to reduce government budget deficits and stimulate growth is also prompting a steady flow of state-owned assets into other IPO markets, particularly in Asia. Japan’s postal service, along with two of its subsidiaries, Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd., will be sold in three separate IPOs later this year. Further ahead, Postal Savings Bank of China plans to raise up to US\$25b with an IPO in 2016.

Looking ahead

Overall, 2015 offers the prospect of healthy returns, but in a market with a lot of regional variation and high potential for volatility, this places an even greater premium on companies to ensure that they have the right management team and a strong value proposition, and that they come to the market at the right time and at the right price.

Maria Pinelli

Global Vice Chair
Strategic Growth Markets, EY

¹ Scott Austin, “Meet the Hottest Tech Startups,” *The Wall Street Journal*, 18 February 2015, wsj.com/articles/meet-the-hottest-tech-startups-1424308076

Global IPO highlights

1Q15 YTD
(January - March 2015)²

Volume and value



252

deals globally

(4% decrease on 1Q14 YTD)



US\$38.2b

in capital raised

(19% decrease on 1Q14 YTD)

Commentary

"As we anticipated, 1Q15 got off to a steady start. Moving into 2Q15, the pace of activity will pick up in the US and EMEA and regulatory change will increase the flow of IPOs in China – boosting Asia-Pacific performance. Although prospects look healthy in a market with much regional variation and high potential for volatility, we will see more companies multitracking. The right team, right price, right time and right story will remain the cornerstones of success."

Maria Pinelli

Global Vice Chair, Strategic Growth Markets, EY

Rapid growth vs. developed

Rapid-growth markets represent 56% of global IPO volume in 1Q15 YTD.



Financial investors dominate



PE and VC account for 17% of global IPOs (43 deals)

32% by proceeds (US\$12.1b)



Three sectors trending



Industrials
45 deals
(US\$10.5b)



Health care
38 deals
(US\$2.0b)



Technology
35 deals
(US\$2.8b)

Confidence continues to grow



1Q15 saw the VIX[®] continue to move downward toward pre-crisis level, signaling increased investor confidence and liquidity.



There were 34 withdrawn and postponed deals in 1Q15, lower than the 36 deals in 1Q14.



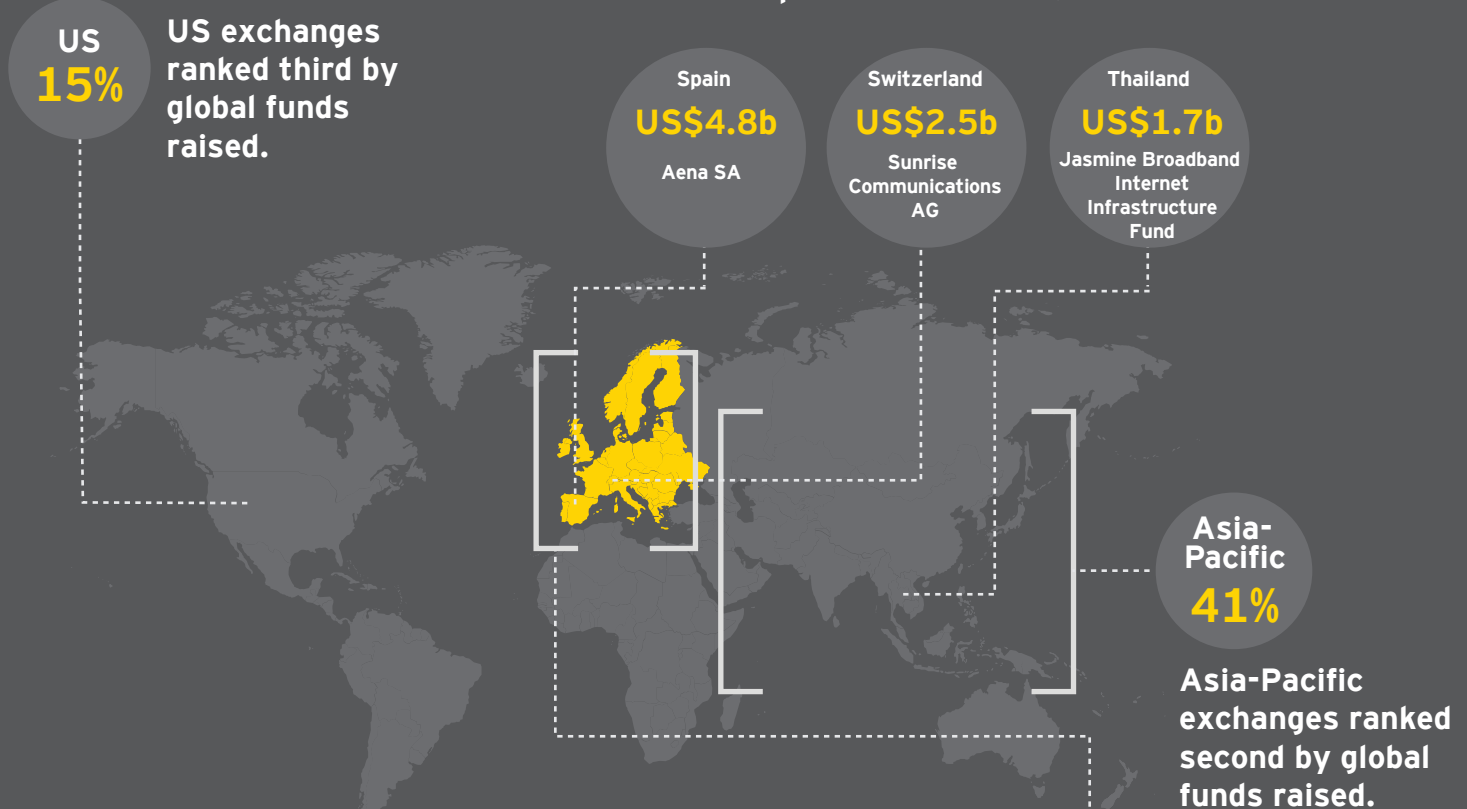
Rising equity markets bode well for 2015 IPO activity – MSCI World Index continues to rise above pre-crisis level.



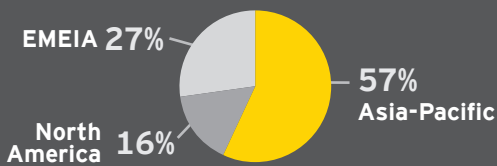
Ninety-four percent of IPOs priced within or above expectations.³

Europe tops the leaderboard

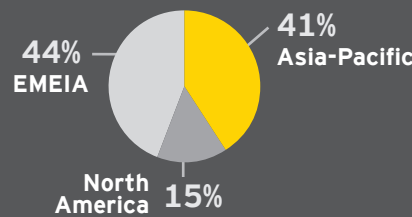
Top three deals in 1Q15⁴



Number of deals



Value of deals

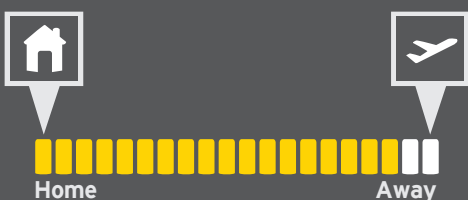


Top six exchanges by funds raised

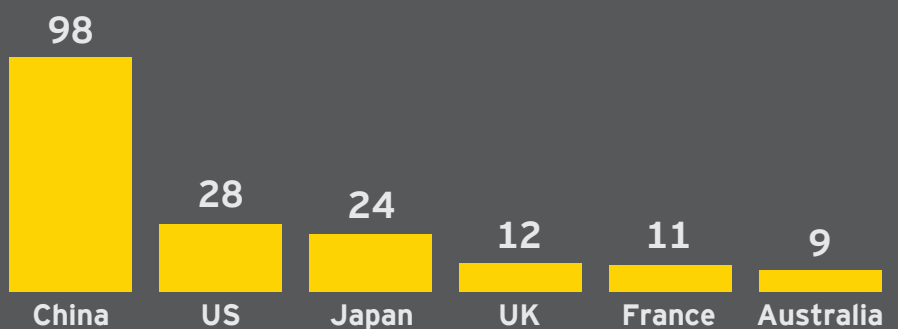
Exchange	Location	Funds Raised (US\$)	Deals
SSE	Shanghai	US\$5.4b	(35 deals)
BME	Madrid	US\$5.3b	(2 deals)
NYSE	New York	US\$3.5b	(13 deals)
LSE	London	US\$3.4b	(17 deals)
Malaysia	Bursa Malaysia	US\$3.0b	(1 deal)
SIX	Swiss	US\$2.5b	(1 deal)

Home and away

Cross-border listings were 10% of global IPOs in 1Q15, similar to 1Q14 level.



Top six countries by deal volume⁵



2. 1Q15 YTD (January - March 2015) IPO activity is based on priced IPOs as of 17 March and expected IPOs by end of March.

3. Focus on open-price IPOs with deal value above US\$50m.

4. The top three IPO deals shown are those that have been priced by 17 March.

5. Based on the listed company domicile nation.



US IPO market takes a pause

The US IPO market paused to take a breath in 1Q15, following the busiest year since 2000. The slower activity this quarter can be explained by the pause in the equities market in October 2014 and because many private companies wanted to take advantage of favorable market conditions by the end of the year and rushed to complete their IPOs in 2014 that were originally slated for this quarter. The pipeline ran dry in the beginning of 2015, but it is replenishing with candidates from across all sectors. There are considerable signs that IPOs will ramp up for the rest of 2015, as the US has one of the strongest economies and some of the most attractive exchanges.

- ▶ In 1Q15, the US saw just 38 IPOs, with proceeds of US\$5.6b. US exchanges dropped down the global leader board as NASDAQ fell to third place by number of deals, and NYSE dropped to third place by proceeds.
- ▶ US exchanges produced only 1 top 10 global deal and 4 of the top 20 IPOs in the quarter.
- ▶ Financial sponsors continue to play an important part of the US IPO landscape, accounting for 55% by deal number and 51% by deal value.

Economic fundamentals support market confidence

Despite moderate GDP growth in 4Q14, the fundamentals of the US economy continued to accelerate in 1Q15, supported by a strong labor market and strengthening housing activity. Unemployment fell to its lowest level (5.1%) in six-and-a-half years as at 20 March and the housing sector is continuing to gain momentum.

While there is heavy anticipation on the Federal Reserve raising interest rates, strong investor confidence matched with even stronger company earnings have helped the markets remain resilient to volatility. Equity markets were at an all-time high⁶ at the beginning of March and business confidence was strong. Low oil prices, which may have contributed to volatile market performance at the start of the year, should boost confidence and consumer spending through the rest of the year.

Weaker IPO market likely to be temporary

A slow start to 2015 fueled speculation regarding the health of the US IPO market. Some commentators warned that certain sectors, particularly life science and technology, may have experienced something of a bubble in 2014, which has burst causing lower IPO volume. This, however, is not proven by this quarter's data, which shows that the sector distribution of IPOs in 1Q15 remained broadly consistent with that of 2014. An alternative view of the US lull is simply the lack of a truly "big ticket" IPO, which was such a feature of US performance in recent quarters.

Market participants commented that the rush for IPOs in 4Q14 had the effect of emptying the deal pipeline and interpret the 1Q15 data as evidence of natural smoothing as the market takes a breath and the pipeline rebuilds. Already there are many reports that the IPO pipeline is showing strong growth, with figures expected to build throughout 2Q15 and into the second half of the year.

One of the most compelling pieces of evidence of the growing pipeline is the strong number of PE- and VC-backed offerings in the pipeline. In fact, VC-backed deals represented 42% of 1Q15 US deals, with similar levels expected in coming quarters and their exits allow for capital to fund the entrepreneurial community. In addition, it is estimated there are more than 4,000 US companies that have been held by private equity firms for longer than five years that will be looking for an exit strategy.

Financial sponsors remain committed

PE- and VC-backed deals remain a key part of the US IPO landscape in 1Q15, accounting for 55% of US IPOs by deal number and 51% by deal value. Separately, VC-backed deals represented 42% of 1Q15 deals, up from 39% in 2014, and PE-backed deals represented 24% of 1Q15 deals, down from 33% in 2014.

Beyond this, the nature of financial sponsorship continues to shift. VC is increasingly willing to provide more substantial funding at a later point in a company's development and new private market platforms for "pre-IPO" companies are emerging to support connections between sponsors and companies. Initiatives like these increase the choices available to companies and are testament to the health of the funding ecosystem in 2015.

Positive cross-border trend

Activity in the US IPO market is expected to gain strength in the coming months, supported by strong investor confidence on the back of robust corporate earnings, resilient equity indices and positive economic fundamentals. However, responding to the threat of increasing volatility from the anticipated Federal Reserve interest rate raise later in the year, it is also likely that companies will keep their options open by pursuing multitrack strategies including M&A, trade sale or private funding. There are plenty of opportunities for companies that are well-priced, well-led and coming to the market at the right time with a compelling value proposition.

The JOBS Act, viewed as a highlight of 2014, is likely to continue to drive a significant portion of IPO activity, especially for IPOs with smaller proceeds size, as emerging growth companies take advantage of "test the waters" and the confidentiality provisions of the act to access the primary market.

⁶ Equity market indices Dow Jones Industrial Average and S&P 500 have surpassed pre-financial crisis levels and were at their highest levels on record at 23rd March but have since fallen by -0.9% and -0.4% (as at 20 March).

US IPO highlights

1Q15 YTD

(January - March 2015)⁷

Volume and value



38 deals

(46% decrease on 1Q14 YTD)



US\$5.6b

in capital raised

(53% decrease on 1Q14 YTD)

Key trends



- ▶ Although performance was flat in 1Q15 as the market recovered from the pressure to push IPOs out at the end of 2014, the pipeline is rebuilding fast.
- ▶ Multitrack strategies and spinoffs will be a feature of 2Q15 as companies keep an eye on volatility and the timing of a likely Federal Reserve interest rate increase.
- ▶ At 29%, the proportion of cross-border deals was higher compared with 2014 as a whole and we anticipate that the US will remain a popular listing destination while markets are buoyant.

Commentary

"In 1Q15, the US IPO market paused to take a breath following the busiest year since 2000. Market volatility in October drove through the remaining pipeline in 4Q14. Despite a decline in volumes and proceeds for 1Q15, we see the pipeline replenishing across all sectors. We expect IPO activity will ramp up as we move into 2Q15, as investor confidence is high and the US has one of the strongest economies and some of the most attractive exchanges."

Jackie Kelley
Americas IPO Leader, EY

Financial sponsors drive US IPO market

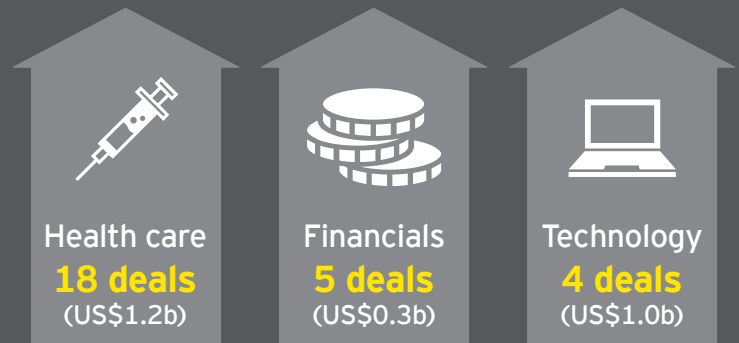


PE and VC account for 55% of US IPOs (21 deals)

51% by proceeds (US\$2.9b)



Three sectors trending



IPO pricing and performance⁸



+19.0%

first-day average return

+18.5%

increase in offer price vs. 17 March

US\$294.0m

median post-IPO market cap

Equity indices⁹

DJIA	+0.9% ▲
S&P 500	+1.1% ▲
VIX®	-18.7% ▼

IPO activity



	NYSE	NASDAQ
1Q15 YTD	13 deals (US\$3.5b)	25 deals (US\$2.1b)
1Q14 YTD	26 deals (US\$8.7b)	45 deals (US\$3.3b)

Cross-border activity in 1Q15 from

Europe **5 deals** (US\$471m)
Israel **3 deals** (US\$225m)
Greater China **3 deals** (US\$91m)



New registrations

1Q15 **37 deals, US\$3.7b**
1Q14 **100 deals, US\$13.5b**



7. 1Q15 YTD (January - March 2015) IPO activity is based on priced IPOs as of 17 March and expected IPOs by end of March.

8. Pricing and performance are based on 27 IPOs on NYSE and NASDAQ that have started trading by 17 March. Data as of 17 March.

9. Year-to-date returns of equity indices as of 17 March.



Asia-Pacific sets the pace in first quarter

In line with the global trend, IPO activity in Asia-Pacific in the first three months of 2015 was down both from the previous quarter and from the same period last year. Despite this, the region led the way by deal volume in 1Q15, accounting for 57% of the global total, and took second place – behind EMEIA – in terms of capital raised.

- ▶ Asia-Pacific saw 145 IPOs in 1Q15, which raised US\$15.8b.
- ▶ Four of the ten largest global deals in 1Q15 took place on Asia-Pacific exchanges, and were spread across Malaysia, Thailand, mainland China and Hong Kong exchanges.
- ▶ A strong pipeline and positive outlook points to increased IPO activity through 2015.

Southeast Asia in first-quarter lull

Despite seeing two of the quarter's biggest deals – the US\$3b IPO of Malaysia's 1MDB Energy¹⁰ and the IPO of Thailand's Jasmine Broadband Internet Infrastructure Fund, which raised US\$1.7b – listings activity has remained relatively subdued in most markets within Southeast Asia. Volatile global market conditions, including the slump in prices of commodities such as crude oil, have resulted in weakened valuations and investors are concerned by the depreciation of emerging markets' currencies against the US dollar.

Investors and business leaders will draw encouragement from the fact that despite the subdued economic conditions, only four IPOs (with expected total proceeds of US\$411.6m) were withdrawn, and most of the IPOs priced within or above their initial anticipated pricing range.

In Singapore, activity came to a halt with no listings in 1Q15 in sharp contrast to the same period a year ago, which saw four IPOs raising US\$352m. Some local private companies are choosing to delay their IPOs or do a backdoor listing via a reverse takeover, while some overseas companies are shying away from listing in Singapore due to lackluster stock performance and low trading volumes. However, the Singapore Exchange – among others within the region – is engaged in a robust program of promotion to attract new listings that we expect will generate results in coming quarters.

With good levels of liquidity and investors looking for returns on their cash, we expect IPO activity across Southeast Asia to return to normal in the second half of the year. Those IPOs that have happened so far in 2015 have been driven by entrepreneurial companies coming to market and by REITs, as investors continually search for yield. We expect this trend to continue in coming quarters while the volume of financial sponsor-backed IPOs will likely increase as investors continue the search for exits. We also expect to see more financial sponsor-backed companies engaging in trade sales as an alternative to IPO.

Japan on course for record year

The number of IPOs in Japan in 2015 is forecast to reach 100, the highest level for almost two decades. There were four IPOs on the Tokyo Main Market raising US\$634m while there were 20 IPOs raising US\$224m on the junior markets, MOTHER and JASDAQ.

With the Nikkei 255 index at its highest level in 15 years (since February 2000), financial sponsors are looking to make a profit on their exits, investor sentiment for IPOs is positive and the pipeline of companies preparing to come to market continues to increase. Meanwhile, government intervention through its "Abenomics" policy is resulting in increased inward investment due to the relaxation of some of the regulatory requirements in the IPO process.

In addition, the recent announcement by the Ministry of Economy, Trade and Industry that robot development is being targeted as a key area of growth – with the goal of attaining a market value of US\$20.5b for robot applications by 2020 – will likely increase the number of technology companies looking for growth capital via the equity markets. A number of sizeable listings of state-owned enterprises are also expected later this year, including Japan's postal service, along with two of its subsidiaries, Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd.

Activity set to pick up in Australia and New Zealand

Following a successful 2014, the IPO window in Australia and New Zealand remains wide open as private equity-backed companies and privately owned mid-market businesses continue to look to the equity markets for growth capital and exits.

There were 11 IPOs in 1Q15 raising US\$84.3m on the Australian Securities Exchange (ASX) and one IPO on the New Zealand Stock Exchange (NZX) that raised US\$21.3m. Although this level of activity is somewhat down on recent quarters, we know there are a number of domestic and overseas businesses that are currently preparing for their IPO transactions. We expect that most of the listings on the ASX and NZX this year will take place in the second and fourth quarters.

With commodity prices not yet showing a positive trajectory, investor sentiment is still generally negative toward companies in the natural resources and mining industries that may be looking at an IPO. However, appetite remains for the right businesses that are appropriately priced, particularly in the financial services, aged care, health and technology sectors.

¹⁰ Malaysia's 1MDB Energy IPO is expected to be completed by the end of March, with expected IPO proceeds of US\$3.0b. Data as of 17 March.

Asia-Pacific IPO highlights

1Q15 YTD

(January - March 2015)¹¹

Volume and value



145 deals

(25% increase on 1Q14 YTD)



US\$15.8b

in capital raised

(18% decrease on 1Q14 YTD)

Key trends



- ▶ Despite slowing economic performance in China, IPO volumes are expected to increase due to ongoing market liberalization.
- ▶ The IPO market in Southeast Asia had a subdued start to the year, but is expected to recover in the second half of 2015.
- ▶ Favorable market conditions have pushed Japanese IPOs to record levels.

Commentary

"Asia-Pacific should see solid activity in the near-to-medium term, driven by stimulus economic policies in Japan, and an expected pick up in the flow of IPOs across Australia and Southeast Asia. Additionally, listing activity in China is expected to gather pace in the second half of 2015, with the country's regulator likely relinquishing control over new listings. The move would speed up the approval process, which would encourage companies to list on domestic exchanges."

Ringo Choi
Asia-Pacific IPO Leader, EY

Top five exchanges by funds raised

SSE

Shanghai

US\$5.4b

(35 deals)

Malaysia

Bursa Malaysia

US\$3.0b

(1 deal)

SZSE

Shenzhen¹²

US\$2.4b

(35 deals)

SET

Thailand

US\$2.1b

(6 deals)

HKEx

Hong Kong

US\$1.2b

(14 deals)

Six sectors trending



Industrials

32 deals

US\$2.1b



Technology

25 deals

US\$1.1b



Materials

17 deals

US\$1.0b



Consumer products

15 deals

US\$1.2b



Health care

11 deals

US\$0.6b



Financials

8 deals

US\$2.5b

IPO pricing and performance¹³

+39.6% first-day average return

+158.3% increase in offer price vs. 17 March

US\$166.9m median post-IPO market cap

Equity indices¹⁴

HANG SENG

+1.5% ▲

FTSE STRAITS
TIMES

+0.3% ▲

SHANGHAI COMP

+6.6% ▲

NIKKEI 225

+10.3% ▲

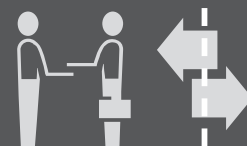
ASX 200

+7.1% ▲

Cross-border IPOs

China issuers had **3 deals** that raised US\$91.2m in total on US exchanges.

China issuers had **2 deals** that raised US\$24.6m in total on London AIM.



11. 1Q15 YTD (January - March 2015) IPO activity is based on priced IPOs as of 17 March and expected IPOs by end of March.

12. Shenzhen Stock Exchange includes IPO listings from the Main Board, SME Board and ChiNext.

13. Pricing and performance are based on 89 IPOs on Asia-Pacific exchanges that have started trading by 17 March. Data as of 17 March.

14. Year-to-date returns of equity indices as of 17 March.



Strong start for Greater China

Despite the ongoing slowdown in growth, reduced retail activity and concerns about inflation and the property market, it was a relatively strong start to the year for IPO activity in Greater China as financial markets continued to liberalize. IPO deal numbers were up against 4Q14 and 1Q14, although capital raised was lower.

- ▶ In 1Q15, 94 IPOs raised US\$9.2b on Greater China exchanges¹⁵, up 29% by deal number but down 21% by capital raised compared with 1Q14.
- ▶ Greater China exchanges accounted for 37% of global IPOs by number of deals, and 24% by capital raised.
- ▶ Hong Kong had a slower start with 14 companies raising US\$1.2b.
- ▶ The Shenzhen and Shanghai exchanges topped the global listing for deal numbers, while the Shanghai Exchange led by capital raised.

China IPOs rising

Amid reports that Chinese growth is slowing, the Chinese Government has issued a series of monetary policies, including the lowering of interest rates and RMB reserve-requirement ratio (RRR) in order to balance stability with improved growth and market liquidity.

Against this backdrop, the rate of new IPOs coming to market in Greater China accelerated in 1Q15 as the regulator sped up IPO approvals, although the impact was somewhat offset by the impact of the late Chinese New Year, which caused a temporary slowdown in activity. According to Xiao Gang, Chairman of China Security Regulatory Commission (CSRC), the more rapid pace of approvals will be maintained throughout the year and the number of IPOs is expected to increase.

Industrials led the way

Industrials continue to be the major IPO force on mainland China exchanges. The sector led in terms of deal numbers and ranked second by funds raised (after the financials sector): 1Q15 saw US\$2.1b of capital raised via 26 IPOs on mainland China exchanges. The materials and high-tech sectors were also very active by deal numbers, with the technology sector buoyed by government support and encouragement for innovation.

Looking ahead, the CSRC continues to prioritize IPO reform and is expected to make the transition from regulatory approval to a US-style, market-based registration system, possibly as early as June of this year.¹⁶ It is hoped the new regime will address the issue of the “three highs” (high offer price, high Price/Earnings ratio and high oversubscription rate).

This new regime is expected to further expedite approvals and speed market entry. The financial sector is expected to become more active as a consequence of this change with the CSRC encouraging security companies to replenish their capital via IPOs. Investor appetite for A-share IPOs remains overwhelming

during 1Q15 as investors continue to make a profit from purchasing IPO shares. All IPOs rose by the maximum 44% allowed on the first day of trading in 1Q15 and as of 17 March, the 1Q15 IPO shares had risen on average 203% compared with their offer price on average.

Hong Kong IPOs falling

Hong Kong, usually a powerhouse for large China listings, had a slow start this year. This may have been partially due to the late Chinese New Year causing a delay as companies waited for their year-end numbers before coming to market. The pipeline is still very strong with over 50 companies; IPO activity on the Main Market is expected to pick up for the rest of 2015.

TMT rises to the top

In 1Q15, only one IPO on Hong Kong Main Market made the 10 largest global IPO list; the IPO of broadband services provider Hong Kong Broadband Network Limited (HKBN), which raised US\$748m after pricing at the top of its range. Its success meant that the technology, media and telecommunications (TMT) sector dwarfed other sectors by funds raised. Consumer products companies continue to favor Hong Kong, which serves as an important bridge between mainland China and international markets.

Financial sponsor activity to increase during 2015

In 1Q15, Hong Kong Main Market saw one financial sponsored-backed IPO, this is lower than 1Q14 (3 IPOs raising US\$1.7b). Financial sponsor-backed IPOs on mainland China exchanges remain stable in 1Q15 (1 IPO), same as in 1Q14. We expect the number of PE- and VC-backed IPOs on the Hong Kong and mainland China exchanges to increase during the course of 2015 as an IPO is still a very important exit channel for PEs and VCs.

Positive outlook for 2015

The regulator will continue to accelerate the approval of IPOs on mainland China exchanges and it is expected that there will be more than 200 IPOs in 2015. Despite the slow start, the HKEX IPO pipeline is also strong and includes a number of big deals which are expected to boost market performance.

All preparation work for the Shenzhen-Hong Kong Stock Connect program is being pushed forward in an orderly manner and it is expected that its approval and commencement in 2015 will benefit both markets. The concomitant easing of restrictions on foreign capital is likely to further spark foreign investors' interest. China will also continue its efforts to promote its A-share index, which is being incorporated into the Morgan Stanley Capital International (MSCI) index.

Investors are optimistic regarding the Greater China stock market due to the expectation of further monetary easing and a favorable public policy environment in 2015. While A-share investors continue to make large profits from IPOs, we anticipate that investor confidence is likely to remain high.

¹⁵ The 1Q15 Greater China exchanges' IPO activity total consist of IPOs on Hong Kong Main Market (14 IPOs, US\$1.2b); Hong Kong Growth Enterprise Market (8 IPOs, US\$72m); Shanghai Stock Exchange (35 IPOs, US\$5.4b); Shenzhen Stock Exchange – the Mainboard, the SME board and ChiNext (35 IPOs, US\$2.4b); and Taiwan Stock Exchange (2 IPOs, US\$51m).

¹⁶ Paul Pong Po-lam, “Regulatory changes needed to revitalize China IPO market,” *ejinsight*, 6 March 2015.

Greater China IPO highlights

1Q15 YTD

(January - March 2015)¹⁷

Volume and value



Hong Kong Main Market

14 deals
(7% decrease on 1Q14 YTD)



Shanghai

35 deals¹⁸
(483% increase on 1Q14 YTD)



Shenzhen

35 deals¹⁹
(17% decrease on 1Q14 YTD)



Hong Kong Main Market

US\$1.2b
(80% decrease on 1Q14 YTD)



Shanghai

US\$5.4b¹⁸
(177% increase on 1Q14 YTD)



Shenzhen

US\$2.4b¹⁹
(32% decrease on 1Q14 YTD)

Key trends



- ▶ Market and corporate confidence remains high despite the economic slowdown in Greater China.
- ▶ Regulatory and structural reforms are expected to boost performance and drive further domestic and foreign investor interest.
- ▶ The industrials and materials sectors dominate in China although government support for innovation is boosting interest in technology.

Commentary

"2015 will be a year of reform for the Greater China stock exchanges. The launch of the Hong Kong-Shenzhen Stock Connect and the switch from an approval-based system to US-style registration-based system in the mainland China A-share market will significantly boost activity in the second half of 2015. In the meantime, we expect to see more IPOs in the mainland China market as the regulator speeds IPO approvals to clear the 600-strong backlog."

Terence Ho

Greater China IPO Leader, EY

Six sectors trending



IPO pricing and performance²⁰

Hong Kong Main Market

+4.2% first-day average return

+19.4% increase in offer price vs. 17 March

US\$116.4m median post-IPO market cap

Shanghai and Shenzhen

+44.0% first-day average return

+203.0% increase in offer price vs. 17 March

US\$265.1m median post-IPO market cap

Equity indices²¹

HANG SENG

+1.5% ▲

SHANGHAI COMP

+6.6% ▲

SHENZHEN COMP

+24.4% ▲



Mainland China's IPO pipeline

38% are expected to be PE- or VC-backed.

More than half of companies are planning to list on the Shenzhen Stock Exchange.

More than 600 companies are in the CSRC pipeline.



IPO pipeline

17. 1Q15 YTD (January - March 2015) IPO activity is based on priced IPOs as of 17 March and expected IPOs by end of March.

18. IPO activity on Shanghai Stock Exchange and Shenzhen Stock Exchange was suspended from November 2012 to December 2013 by the China Securities Regulatory Commission.

19. Shenzhen Stock Exchange includes IPO listings from the Main Board, SME Board and ChiNext.

20. Pricing and performance are based on 14 IPOs on Hong Kong Main Market and 46 IPOs on Shanghai and Shenzhen Stock Exchanges that have started trading by 17 March. Data as of 17 March.

21. Year-to-date returns of equity indices as of 17 March.



EMEIA IPO market off to a positive start

IPO markets in EMEIA are off to a very positive start in 2015. At US\$16.8b, the region ranked first for capital raising ahead of both the Americas and Asia-Pacific and with 67 IPO listings was second only to Asia-Pacific in terms of number of deals. Market confidence is high, PE exits are at record levels and risk appetite is strong.

- ▶ Spain's Bolsa de Madrid hosted the largest IPO globally this quarter – the state-owned Aena S.A., the airport operator. It raised US\$4.8b and priced at the top of its range.
- ▶ EMEIA exchanges hosted 5 of the top 10 largest deals and 10 of the top 20 largest deals in 1Q15.
- ▶ Financial sponsor-backed exits accounted for 30% of EMEIA IPO volume and 54% of proceeds in 1Q15 – this is the highest quarterly proportion by IPO volume on record.

Macroeconomic conditions in Europe are improving. A combination of strengthening equity markets, the sustained low interest rate environment and growing investor confidence contributed to the strong start to the year relative to other regions. The beginning of a €1.1t (US\$1.2t) program of quantitative easing by the European Central Bank is expected to further boost liquidity.

With bond yields still close to all-time lows and rising investor appetite for the higher returns being generated on the main indices, investor attention is set to remain firmly focused on new equity opportunities – and IPOs in particular. With US\$16.8b raised from 67 IPOs year-to-date (YTD), EMEIA exchanges registered their highest-ever cumulative proceeds in the first three months of the year since 1Q07 and a 5% increase against the corresponding period last year. This spurt in value was primarily driven by three billion-dollar-plus listings in February, which also helped the region contribute 63% to February's total global proceeds.

Twenty two percent of IPOs by EMEIA companies were cross-border IPOs, which was an increase from 17% for the whole of 2014, as valuation and investor sentiment remain attractive.

Volatility has a marginal impact

Volatility decreased in the first two months of this year and the market was impacted by geopolitical issues, the oil price and Euro currency development. In addition, investors sentiment was influenced by the quantitative easing program of European Central Bank and the victory of the anti-austerity party Syriza in Greece. For the latter part of 1Q15, volatility was trending upwards in Europe and investors continue to have an appetite for risk.

Despite this somewhat testing backdrop, 68% of IPOs on EMEIA main markets were priced within or above the initial pricing range in 1Q15 and IPOs on EMEIA main markets in 1Q15 have an average first-day return of 10.2%. Only seven IPOs were withdrawn in the first quarter.

Sector appetite remains broad

IPOs continued to come from a range of sectors, with industrials taking the lead by deal volume in 1Q15 (11 IPOs accounting for 16% of EMEIA exchanges by deal volume), followed by consumer staples and health care (eight IPOs, accounting for 12% of deal volume for each sector).

IPO as favorable exit route for financial sponsors improved

With the performance of main European indices supporting higher valuations and financial sponsors keen to realize value from its existing investments, IPOs remain a highly attractive exit route. Financial sponsor-backed IPOs raised US\$9.1b via 20 IPOs in 1Q15, the highest proportion on record of financial sponsor-backed IPOs out of all EMEIA IPOs on a quarterly basis.

Seven of this quarter's ten largest EMEIA deals were PE-backed – this includes Sunrise Communications AG, Auto Trader Group Ltd., GrandVision NV and Elis SA. We expect that 2015 could be a banner year for technology IPOs in EMEIA, particularly e-commerce, financial technology, streaming content, big data, cybersecurity and advertising-tech companies.

India poised for higher levels of activity

A number of favorable macroeconomic trends indicate that the IPO market in India is set to rebound on the back of a new business-friendly government empowered by an absolute majority. The optimistic business environment is expected to revive IPO sentiment as businesses starved of capital by poor market conditions release pent-up demand and a large backlog of patient PE investors plan to realize value via exits. The Indian Government plans to revive retail investor interest via a large privatization program that will create opportunity for investors.

We anticipate that activity will be further fueled by a wave of PE firms now waiting to exit. We are confident that attractively priced IPOs will get a good response from investors as the chances of earning higher returns grow. Conversely, any attempt to over-price will not be well received.

Africa rising

Although it is difficult to distill the Africa picture given the number of countries and exchanges within this region, the overall picture is healthy with deal numbers higher than this period last year. IPO opportunities on some of the large exchanges such as the Johannesburg Stock Exchange and Nigeria Stock Exchange remain relatively positive. However, concerns regarding the forthcoming Nigerian elections and recent weakness in South African economy may impact market confidence. With exit activity by PEs across Africa at an all-time high, it is impacting several markets.

Positive outlook for EMEIA in 2015

So far this year, the IPO market in EMEIA has supported risk-takers. Looking ahead, the combination of ongoing positive earnings expectations feeding rising equity indices, a low oil price environment supporting consumer-facing sectors and a favorable US dollar-euro exchange rate underpinning US interest suggests that European IPOs will continue to enjoy strong support. Listing activity in India, Middle East and Africa exchanges are also looking optimistic for the rest of 2015.

Volatility is the key risk, particularly as markets are at or surpassing previous peaks. However, absent this and a return of concern regarding a potential Greek Eurozone exit or significant shocks from elections being held in other European countries, we believe the pipeline of IPO-ready businesses across a broad range of geographic markets and multiple sectors will continue to deliver a healthy capital markets for business owners and investors.

EMEIA IPO highlights

1Q15 YTD

(January - March 2015)²²

Volume and value



Main markets:
44 deals
(19% increase on 1Q14 YTD)



Junior markets:
23 deals
(38% decrease on 1Q14 YTD)



Main markets:
proceeds US\$16.5b
(20% increase on 1Q14 YTD)



Junior markets:
proceeds US\$0.3b
(87% decrease on 1Q14 YTD)

Key trends



- ▶ PE- and VC-backed IPOs are a key driver of IPO activity in EMEIA – remaining at pre-crisis levels.
- ▶ Improving macroeconomic conditions and the start of quantitative easing are bolstering investor confidence as markets continue to rise.
- ▶ With equities at multiyear or all-time highs, volatility is the key risk that could force sharp equity corrections, denting IPO confidence.

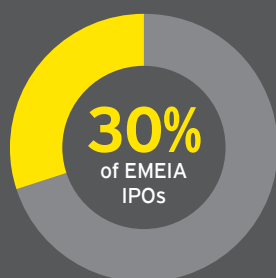
Commentary

“1Q15 got off to a strong start, with EMEIA raising more capital than any other region. IPO as a strategic exit option for PE and VC is at a record high, featuring in four of the top five European deals. Driven by supportive monetary conditions, a healthy investor appetite especially from Anglo-Saxon pockets in the Eurozone and high valuation levels, there is a robust IPO pipeline across the region.”

Dr. Martin Steinbach
EMEIA IPO Leader, EY

Top five exchanges by funds raised

Madrid	LSE	SIX	Euronext	NASDAQ OMX
Bolsa de Madrid	Main Market and AIM	Swiss	Euronext	NASDAQ OMX
US\$5.3b (2 deals)	US\$3.4b (17 deals)	US\$2.5b (1 deal)	US\$2.5b (9 deals)	US\$1.1b (6 deals)



Financial sponsors drive EMEIA IPO market

PE accounted for 30% of EMEIA IPOs (20 deals)

54% by proceeds
(US\$9.1b)



Three sectors trending



IPO pricing and performance

Main markets²³

+10.2% first-day average return

+20.8% increase in offer price vs. 17 March

US\$412.5m median post-IPO market cap

Junior markets²³

+2.6% first-day average return

+0.3% increase in offer price vs. 17 March

US\$35.6m median post-IPO market cap

Equity indices²⁴

FTSE 100	+3.6% ▲	BSE SENS	+3.4% ▲
DAX	+24.1% ▲	JSE All share	+4.8% ▲
CAC40	+18.5% ▲	VSTOXX	-26.0% ▼
MICEX	+15.3% ▲		

Cross-border IPOs



10% of EMEIA issuers are listed in EMEIA exchanges and **12%** are listed on US exchanges.

22% of EMEIA issuers conducted cross-border deals.

22. 1Q15 YTD (January - March 2015) IPO activity is based on priced IPOs as of 17 March and expected IPOs by end of March.

23. Pricing and performance are based on 33 IPOs on main markets and 13 IPOs on junior markets that have started trading by 17 March. Data as of 17 March.

24. Year-to-date returns of equity indices as of 17 March.



Financial sponsors dominate in a steady first quarter for the UK

The first quarter of 2015 has seen steady IPO activity, with 17 deals raising US\$3.4b (GBP£2.3b) on London Main Market and AIM²⁵. Although deal numbers and capital raised were down compared to 1Q14, more capital was raised this quarter than in 4Q14. Domestic PE-backed businesses continued to dominate the IPO picture in a market that has borne a healthy degree of investor skepticism and pricing pressure this quarter. A number of new issues priced toward the bottom of the range, with most trading at or close to their issue price.

- ▶ Two companies which tried to complete their IPOs last year but withdrew due to macroeconomic volatility have completed successful IPOs this quarter. Six of the UK's top ten IPOs were PE-backed – five IPOs from local UK companies and one cross-border IPO.
- ▶ As anticipated given the improving M&A market, several planned IPOs have opted for trade sale or a secondary sale this quarter.
- ▶ Two of the global top 20 deals in 1Q15 were listed on the London Main Market. This includes UK's online motoring digital marketplace, Auto Trader Group Limited and Hungary's low-cost airline, Wizz Air Holdings plc.

London exchanges continue to lead in Europe

IPO activity in the UK is strong compared to the rest of Europe, with the London markets hosting a higher number of deals than other European exchanges. Listings in London Main Market and AIM comprised 33% of European IPOs by deal number in 1Q15. Despite anti-Federalist sentiment emerging in the Eurozone, Europe's forecast has been brightened by the European Central Bank's recent announcement of a €1.1t (US\$1.19t) quantitative easing program that should bolster liquidity and increase the flow of prospective IPO candidates for European and London exchanges.

Confidence in UK markets remains resilient while London exchanges attract cross-sector deals

While new listings are likely to experience a high level of scrutiny by increasingly risk-averse investors, good assets continue to attract investors' confidence. This has been demonstrated by the successful return to market of Hungarian-based airline Wizz Air and UK bank Aldermore Group plc, both of which withdrew their IPOs last year amid market volatility. After its IPO, Aldermore performed particularly strongly and was one of the four IPOs on the Main Market to price at the top end of its range, closing at 11% above its IPO price on its first day of trading.

No one sector has dominated this quarter's listings. As anticipated, given the strength of the consumer and retail sectors in 2014, consumer products and retail listings accounted for four of the nine London Main Market listings. Across the Main Market and AIM as a whole, the consumer products sector led by IPO deal numbers (24%), followed by the financials and industrials sectors (18% each). We believe that London exchanges are likely to continue attracting deals from a range of sectors.

PE-backed IPOs continue to dominate London exchanges

As predicted, in 1Q15 investor appetite for financial sponsor-backed IPOs remained strong. While there was no VC-backed IPO this quarter, the UK market continues to be dominated by PE-backed IPOs, which accounted for six of the top ten listings this quarter. While PE-backed companies made up 41% of UK IPOs by volume, proceeds from PE-backed listings on London markets amounted to 84% of total proceeds in 1Q15. This trend is expected to continue. With a good number of high-quality companies under PE-ownership looking to exit later this year, PE will remain a significant player in the IPO market moving forward in 2015.

Optimistic expectations for a stronger second half

Consumer sentiment in the UK rose to a five-month high in January, and the country's economic recovery is anticipated to continue. Although UK economic projections remain positive, uncertainty over the outcome of the general election may suppress IPO activity in 2Q15. This is likely to be compounded by wider timidity as markets prepare for elections scheduled to take place in several European countries this year.

After the election and the traditionally quieter summer period, we believe that 4Q15 is likely to see a return of IPO activity. We are confident that barring any significant macroeconomic shocks, business and investor confidence will remain steady through the year. At the same time, UK markets should benefit in the last quarter from an anticipated increase in IPO momentum globally. We are observing a healthy number of businesses currently preparing for their IPOs with intention to list in 4Q15 and beyond.

²⁵ Data as of 17 March. At the time, Auto Trader Group Limited was expected to raise US\$1.5b. At 17 March, for 1Q15, there were 17 IPOs raising US\$3.4b on London Main Market and AIM. On 19 March, the company priced its IPO with IPO proceeds of US\$2.1b. After the completion of this IPO listing on 19 March, the Main Market saw 9 IPOs that raised US\$3.87b (GBP£2.58b) and the Main Market and AIM saw 17 IPOs which raised US\$4.0b (GBP£2.64b) altogether.

UK IPO highlights

1Q15 YTD

(January - March 2015)²⁶

Volume and value



London Main Market
9 deals
(10% decrease on 1Q14 YTD)



London AIM
8 deals
(53% decrease on 1Q14 YTD)



London Main Market
US\$3.3b²⁷
(33% decrease on 1Q14 YTD)



London AIM
US\$0.1b
(96% decrease on 1Q14 YTD)

Key trends



- ▶ Robust investor skepticism is leading to pricing pressure in the market at present, but good assets still have the potential to outperform expectations.
- ▶ Given the narrowing of the IPO window due to the UK election, businesses will need to have a well-prepared IPO path, with a strong management team, a compelling value story and a sensible price in order to take advantage when market windows are open.
- ▶ The IPO forecast is optimistic despite domestic political uncertainty and anxiety regarding European economic and geopolitical concerns.

Commentary

"This has been a relatively good quarter for the London IPO market albeit not as good as many were predicting. The message that continues to come through loud and strong is that good assets, sensibly priced, will find demand – witness the successful fresh attempts to list of Wizz Air and Aldermore Bank. Moving forward, we expect to see a quiet second quarter as a result of the General Election, but a return to a more balanced market towards the end of the year and into 2016."

David Vaughan
UK and Ireland IPO Leader, EY

Financial sponsors drive UK IPO market



PE accounted for 41% of UK IPOs (7 deals)

84% of proceeds (US\$2.9b)



Three sectors trending



IPO pricing and performance

London Main Market²⁸

+5.8% first-day average return

+11.5% increase in offer price vs. 17 March

US\$489.2m median post-IPO market cap

Alternative Investment Market²⁸

+0.4% first-day average return

-0.9% increase in offer price vs. 17 March

US\$38.2m median post-IPO market cap

Equity indices²⁹

FTSE 100 **+3.6%** ▲

FTSE 350 **+4.2%** ▲

FTSE AIM ALL SHARE **-2.0%** ▲

Cross-border activity in 1Q15

Hungary had **1 deal** raising US\$476m on the London Main Market.

Belgium had **1 deal** raising US\$190m on the London Main Market.

China had **2 deals** raising US\$25m on the London AIM.



Top three IPOs in 1Q15 by capital raised

Auto Trader Group Limited²⁷

raised
US\$1.5b
(UK, Industrials)

Wizz Air Holdings plc

raised
US\$0.5b
(Hungary, Industrials)

Aldermore Group plc

raised
US\$0.3b
(UK, Financials)

26. 1Q15 YTD (January - March 2015) IPO activity is based on priced IPOs as of 17 March and expected IPOs by end of March.

27. As of 17 March, Auto Trader Group Limited was expected to raise US\$1.5b by end of March. On 19 March, the company priced its IPO with IPO proceeds of US\$2.1b. After the completion of this IPO, the Main Market saw 9 IPOs that raised US\$3.87b (GBP£2.58b).

28. Pricing and performance are based on 7 IPOs on London Main Market and 6 IPOs on AIM that have started trading by 17 March. Data as of 17 March.

29. Year-to-date returns of equity indices as of 17 March.

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For more information on global IPO performance by quarter and year, and how IPO market looks set to develop in 2015, visit the EY Global IPO Center of Excellence:

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*Throughout this report, 2015 January to March (1Q15) IPO activity is based on priced IPOs as of 17 March and expected IPOs by end of March. Source of data: Dealogic and EY.