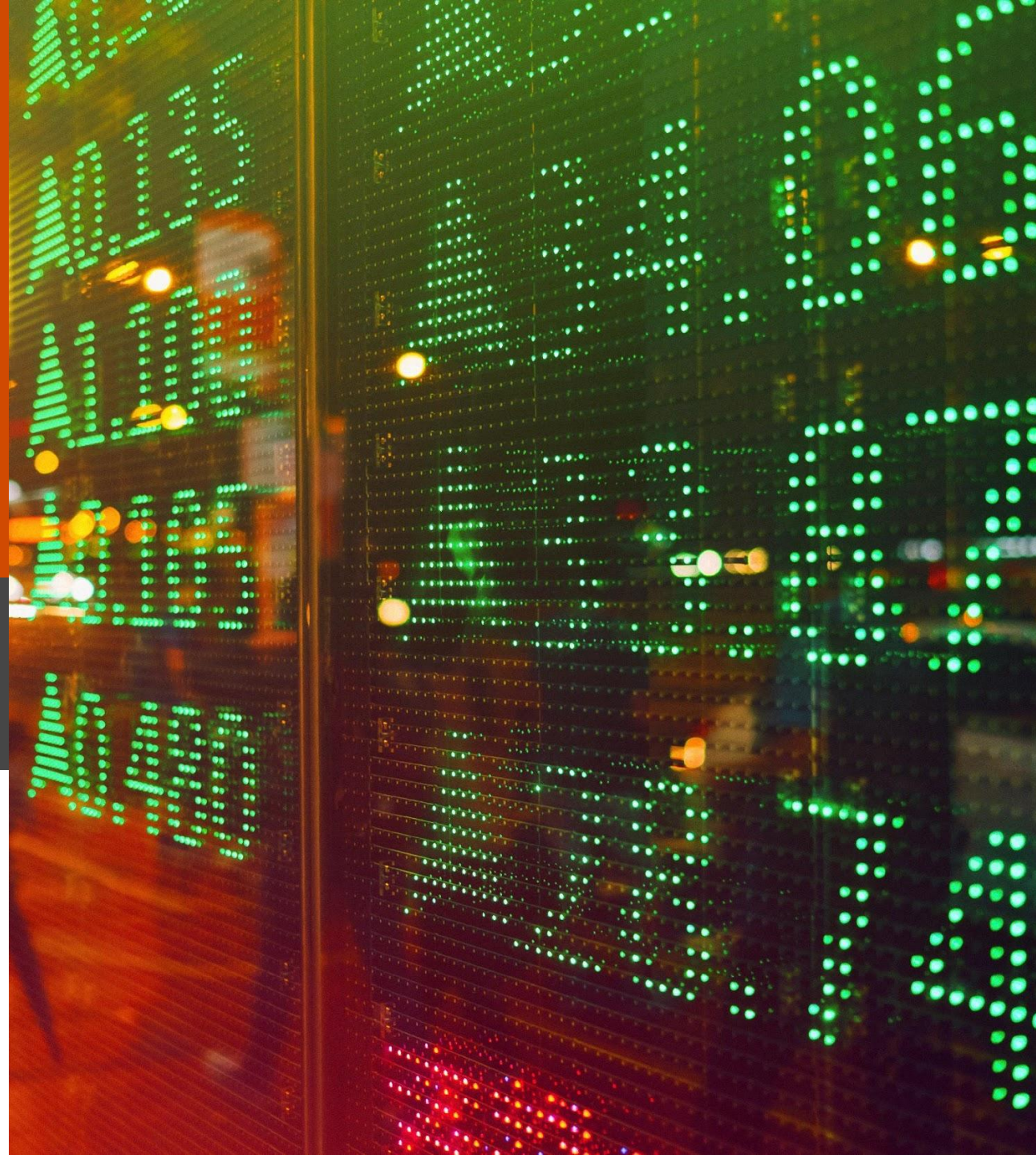


Global IPO Watch Q2 2023



Headlines

Major global economies seeking to curb inflation with more restrictive monetary policies, dampening growth.

- Whilst the US economy is defying recession predictions, following the debt ceiling resolution equity markets entered a new bull market in Q2 2023. However, weak leading economic indicators point to a slowdown.
- Despite recent moderation in headline inflation, core inflation is proving stickier, creating further expectations of tightening and higher interest rates for longer.

Despite robust equity capital markets performance and subsiding volatility, IPO activity remains muted in the US and Europe.

- IPO valuation and aftermarket performance remain front of mind, with investors demanding significant IPO discounts in recent IPOs.
- Unsurprisingly, as inventors' existing portfolios are performing well, IPOs present higher risk and uncertainty, feeding into lukewarm investor appetite.

Mainland China and the Middle East continue to dominate global IPO markets.

- As rising interest rates and monetary policy uncertainty curbed appetite for IPOs in the US and Europe, Mainland China and the Middle East remained active, helped by a streamlined listings regime for the Shanghai and Shenzhen stock exchanges and a privatisation push in the Gulf.

Strong equity markets together with lower volatility created perfect conditions for follow-on equity issuance.

- Secondary equity markets continue to work well in the US and Europe with a number of significant transactions pricing this quarter.
- Low volatility and supportive indices performance created attractive conditions for well-known stocks to raise money and create liquidity for shareholders.

Technology sector once again stood out this quarter, particularly with the buzz building around Artificial Intelligence (AI).

- Strong performance of the S&P 500 this quarter can be largely attributed to megacap tech stocks and AI excitement, leading to increase in earnings expectations.
- Soaring demand for chips to power AI applications is benefiting specialised chipmakers and supporting infrastructure around it such as cloud storage and data.

Whilst there are signs of life in the IPO market and some issuers will be able to get their IPOs done, we do not expect things to materially change until early 2024.

- The focus in H2 2023 will be on the global macroeconomics and geopolitics with investors remaining selective and price sensitive.
- Cautious outlook will impact the pace of the recovery of the IPO market in the US and Europe. However, we continue to see a strong pipeline of issuers preparing to access the public markets across a variety of sectors such as technology, energy transition, consumer and healthcare.

Macroeconomic and equity markets overview

Macroeconomic and equity markets overview in Q2 2023

An improving macroeconomic sentiment that we observed in the first quarter has turned more cautious in Q2 2023 with growth in most of the major global economies slowing down, with the potential for further central bank tightening to come.

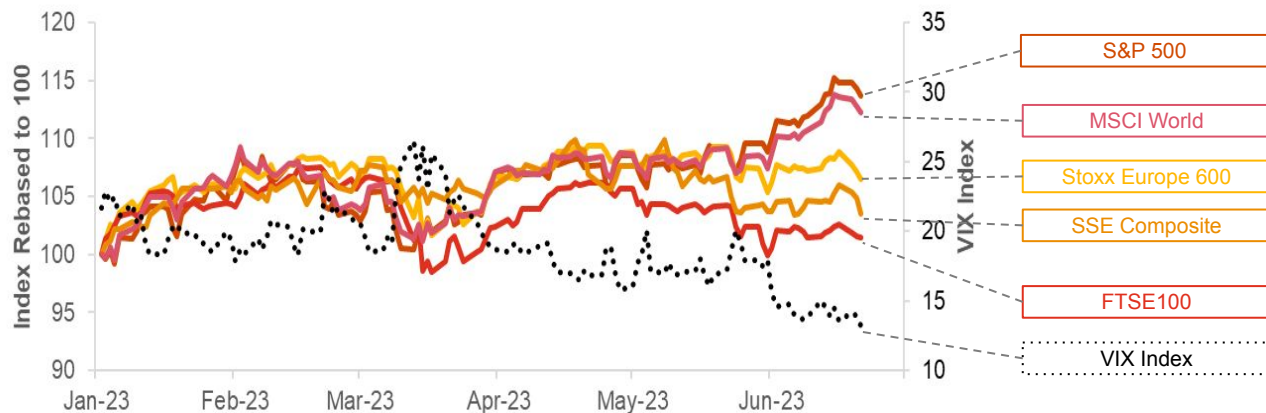
Major equity indices performance varied across the globe, whilst volatility has dropped to more normalised levels (see chart below).

In the US, as the economy defied recession fears, strong equity markets performance this quarter defied expectations with S&P 500 up 16% since the beginning of the year.

However, this positive picture has some nuances. Whilst some of the positive momentum in the market was driven by the recent debt-ceiling resolution, banking sector stabilisation and signs of abating inflation, it is the enthusiasm around the AI sector that has led to a significant outperformance of major technology stocks vs the rest of the market.

Weaker than expected growth in Mainland China in the post-pandemic environment and strained geopolitics led to a spill over into Europe, where Germany has slipped into a technical recession and other Eurozone countries continue to be impacted by a decline in bank lending.

In the UK, core inflation remained high and sticky, followed by aggressive policy measures by the Bank of England despite the lack of economic growth in the country. The interest rate is currently at 5%, the highest since the 2008 financial crisis. The natural resources-heavy FTSE 100 has underperformed major global indices, as softer global energy and commodity prices impacted its performance.



Source: Capital IQ with PwC analysis

Macroeconomic and equity markets overview

Macroeconomic and equity markets overview in Q2 2023

Unsurprisingly, rising interest rates and stubborn inflation dashed the hopes of IPO market recovery in the US and Europe, with Mainland China IPO activity in Q2 again accounting for almost 50% of the global IPO issuance. The Middle East IPO market has also been active, supported by privatisation drive and local investor demand.

Notably, the last few weeks of June were very busy for the European IPO market with a number of significant deals in the market across various countries and all eyes will be on their pricing and aftermarket performance early in Q3.

Secondary equity issuance markets continued to do well in the second quarter as low volatility and supportive indices performance created attractive conditions for well-known stocks to raise money and create liquidity for shareholders.

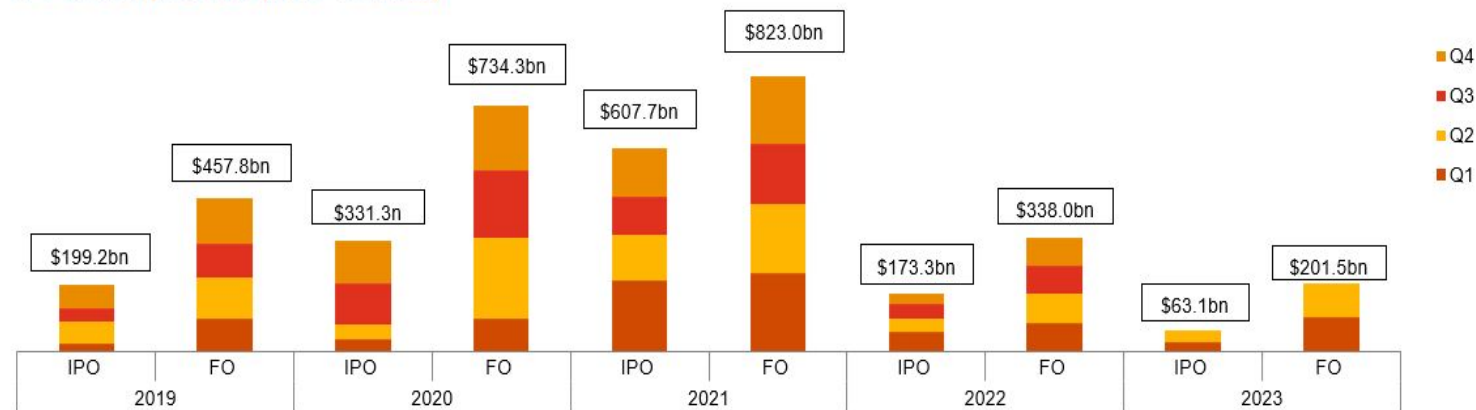
Outlook

A recovery in valuations and a decline in volatility in 2023 would generally be pointers to a returning IPO market in the US and Europe. However, investors remain cautious about IPO valuations having seen mixed aftermarket performance and remain mindful of macroeconomic and geopolitical uncertainties. The jury is still out whether the US will enter a recession this year or early 2024 as the the tightening in lending and uncertainty around the health of the economy will put pressure on corporate earnings.

Investor caution has led to a rush into money market funds (i.e. fund that invests in high-quality, short-term debt instruments, cash, and cash equivalents) over the last few months, which means there is a lot of cash waiting to be deployed.

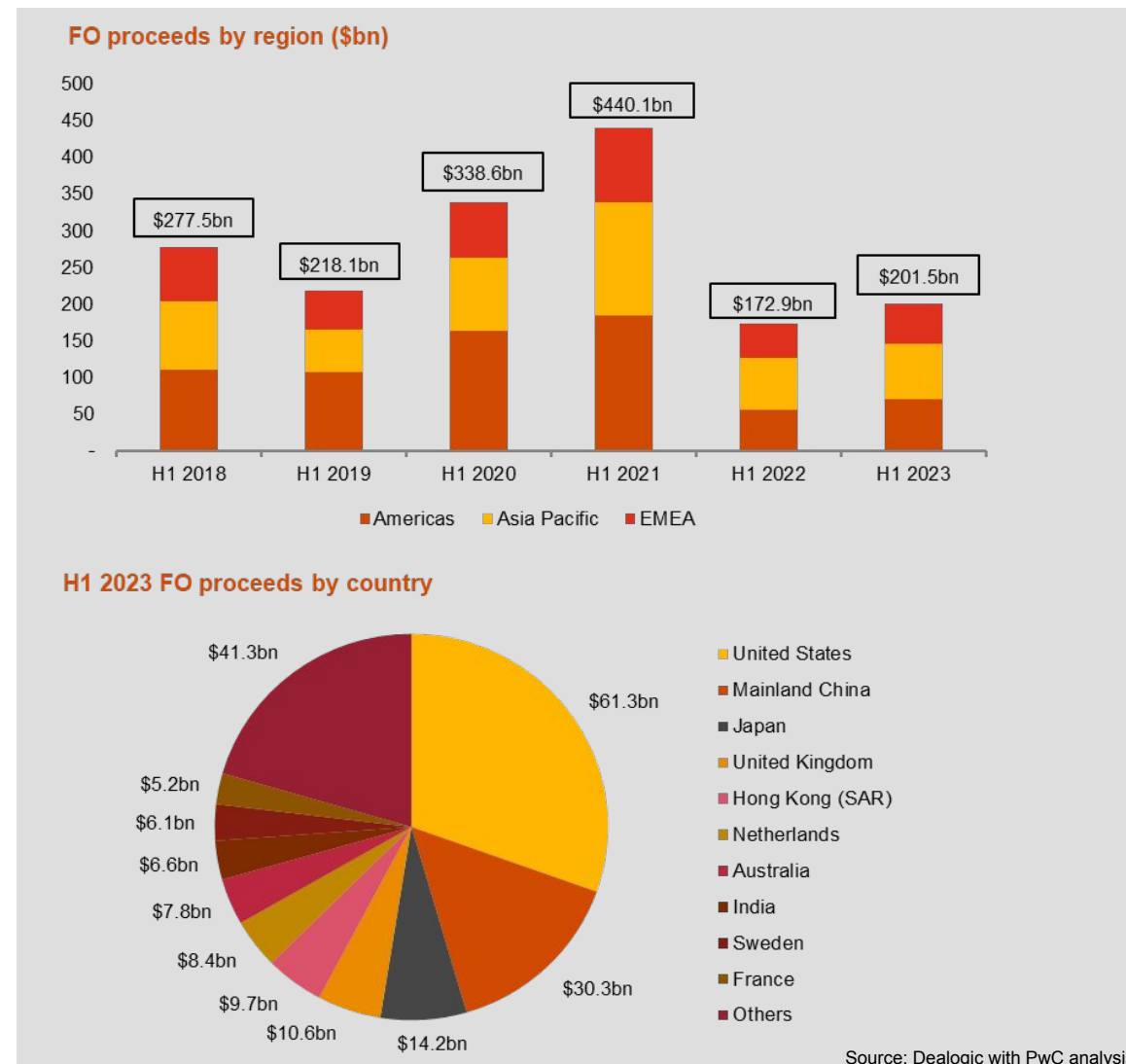
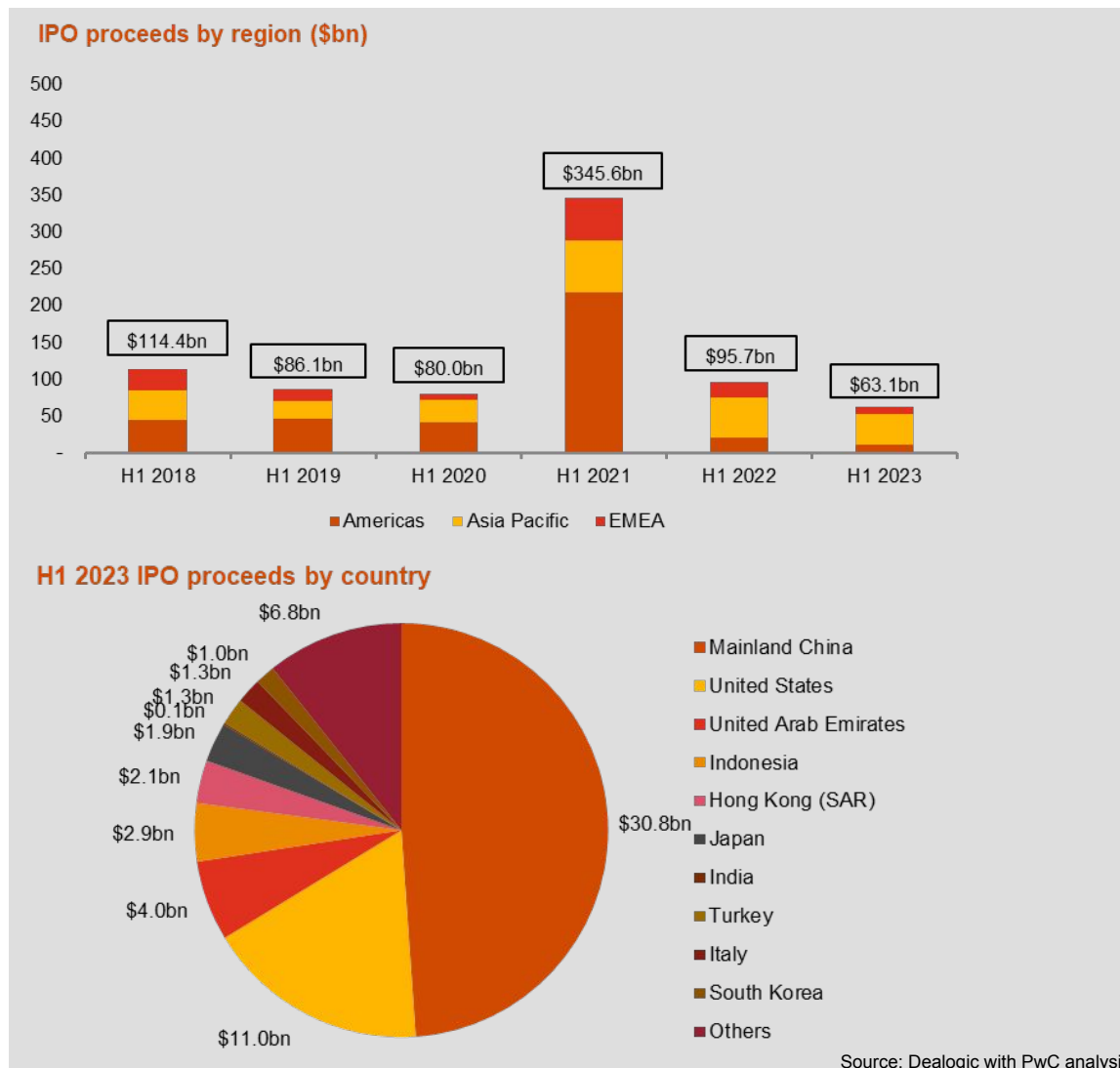
IPO markets are also likely to recover slowly and, whilst companies with strong equity stories and reasonable valuation expectations should be able to access the market, the sentiment amongst the investment community points to the deal activity picking up in 2024. IPO candidates will need to demonstrate resilient trading performance in the challenging environment to tempt IPO investors.

IPO and FO proceeds (2019 - H1 2023)



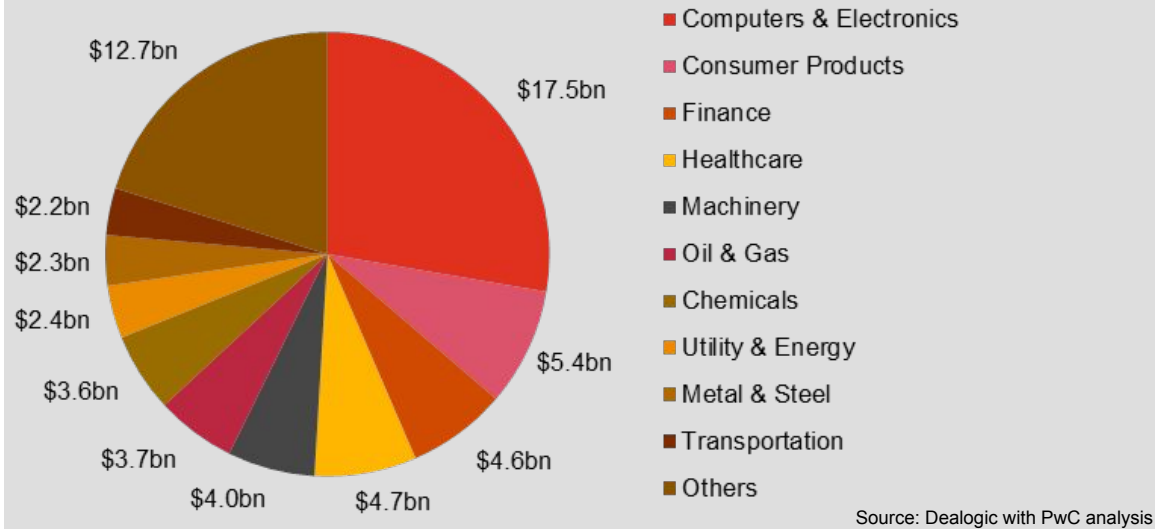
Source: Dealogic with PwC analysis

IPO and FO proceeds - by geography

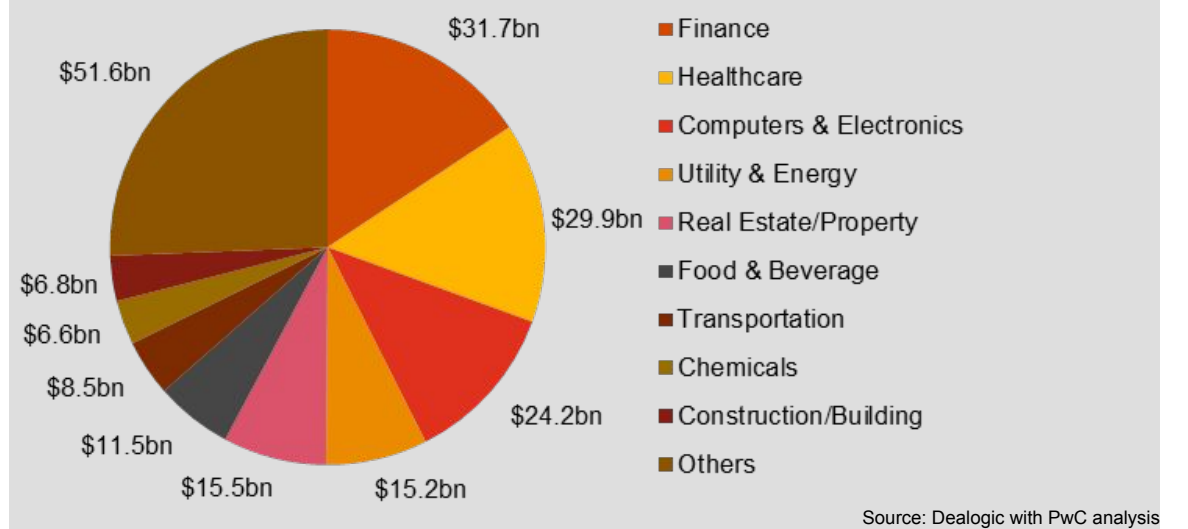


IPO and FO proceeds - by sector

H1 2023 IPO proceeds by sector



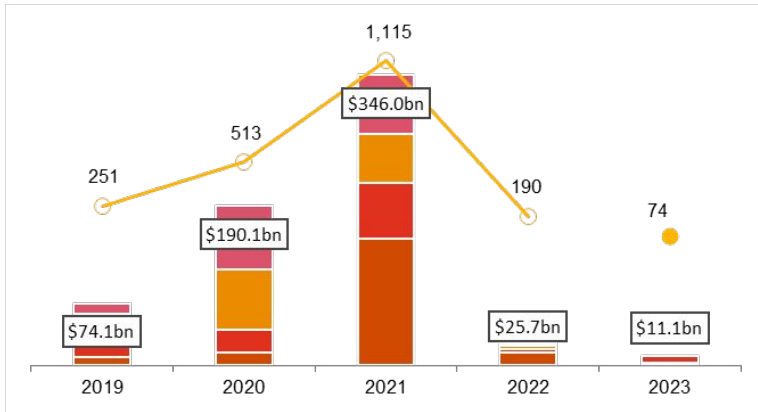
H1 2023 FO proceeds by sector



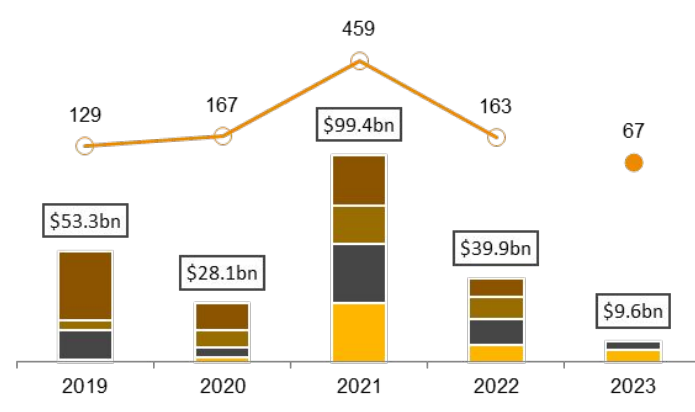
IPO and FO activity per region

Americas

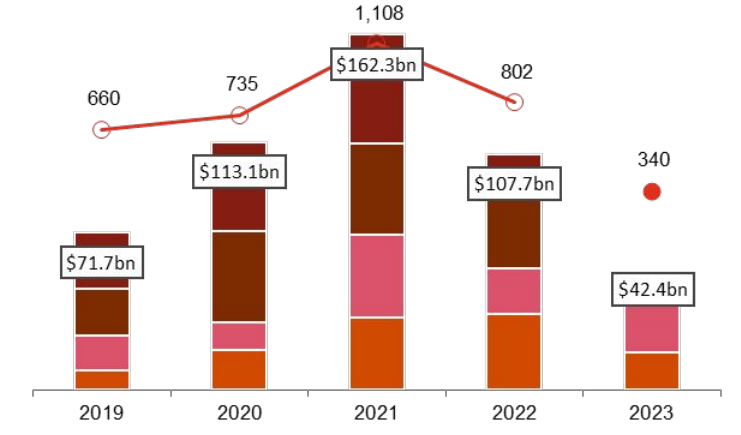
IPO money raised & # of deals



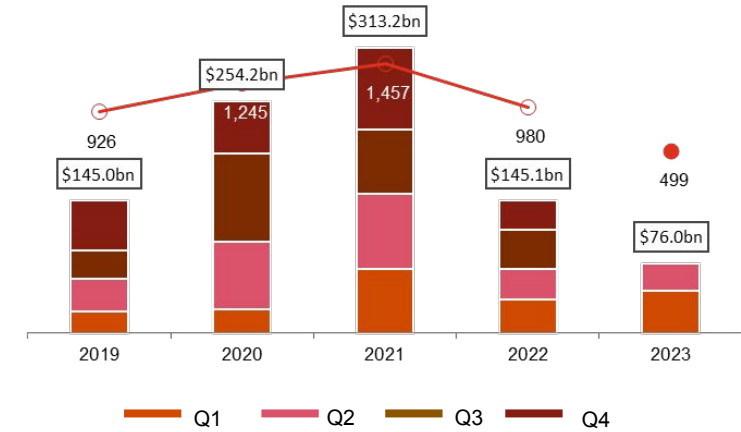
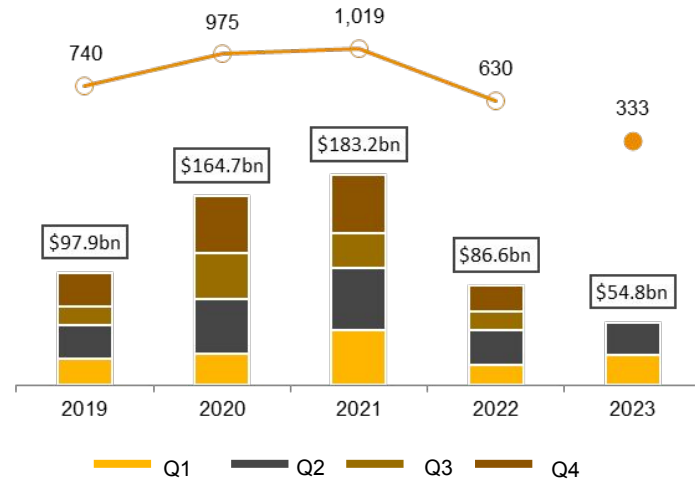
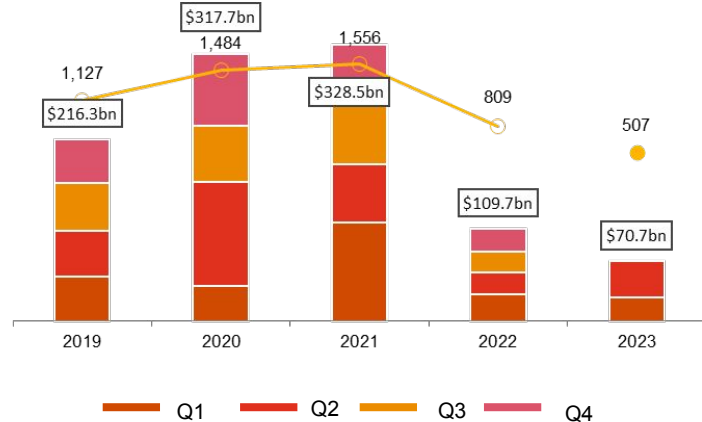
EMEA



Asia-Pacific



FO money raised & # of deals



Source: Dealogic with PwC analysis

Top 10 largest IPOs - 2023 YTD

Note: current price is at 30 June 2023

Pricing date	Issuer name	Issuer Country	Sector	Exchange	Money raised	After market performance		
						1-day	1-month	Current
3-May-23	Kenvue Inc	United States	Consumer Products	New York Stock Exchange-NYSE	\$4.4bn	22%	16%	20%
3-May-23	ADNOC Gas PLC	United Arab Emirates	Oil & Gas	Abu Dhabi Securities Exchange	\$2.5bn	19%	28%	30%
19-Apr-23	Nexchip Semiconductor Corp	Mainland China	Computers & Electronics	Sci-Tech Innovation Board (STAR Market)	\$1.9bn	0%	2%	5%
25-Apr-23	SMEC	Mainland China	Computers & Electronics	Sci-Tech Innovation Board (STAR Market)	\$1.8bn	11%	3%	0%
28-Mar-23	Shaanxi Energy Investment Co Ltd	Mainland China	Utility & Energy	Shenzhen Stock Exchange	\$1.0bn	48%	16%	9%
30-May-23	CSI Solar Co Ltd	Mainland China	Computers & Electronics	Sci-Tech Innovation Board (STAR Market)	\$1.0bn	18%	N/A	65%
25-May-23	ADNOC Logistics & Services plc	United Arab Emirates	Transportation	Abu Dhabi Securities Exchange	\$0.8bn	56%	N/A	52%
08-Feb-23	Nextracker Inc	United States	Computers & Electronics	NASDAQ-US	\$0.7bn	27%	36%	66%
19-Jun-23	PT Amman Mineral Internasional Tbk	Indonesia	Mining	Indonesia Stock Exchange	\$0.7bn	N/A	N/A	N/A
21-Apr-23	ZJLD Group Inc	Mainland China	Food & Beverage	Hong Kong Exchange-Main Board	\$0.7bn	-18%	-30%	-27%

Source: Capital IQ and Dealogic with PwC analysis

Top 10 largest FOs - 2023 YTD

Note: current price is at 30 June 2023

Pricing date	Issuer name	Issuer country	Sector	Exchange	Deal type	Money raised	After market performance		
							1-day	1-month	Current
13-Mar-23	Japan Post Bank Co Ltd	Japan	Finance	TSE - Prime	FO - Fully Marketed	\$9.0bn	0%	-3%	-1%
17-May-23	London Stock Exchange Group plc	United Kingdom	Finance	London Stock Exchange	FO - Accelerated Bookbuild	\$3.3bn	2%	8%	4%
31-May-23	Heineken NV	Netherlands	Food & Beverage	Amsterdam	FO - Accelerated Bookbuild	\$2.9bn	2%	1%	2%
28-Mar-23	Link Real Estate Investment Trust	Hong Kong (SAR)	Real Estate/Property	Hong Kong Exchange-Main Board	FO - Rights Offer	\$2.4bn	13%	15%	-2%
8-Mar-23	London Stock Exchange Group plc	United Kingdom	Finance	London Stock Exchange	FO - Accelerated Bookbuild	\$2.4bn	4%	12%	17%
13-Apr-23	China Yangtze Power Co Ltd	Mainland China	Utility & Energy	Shanghai Stock Exchange	FO - Cash Placing	\$2.3bn	6%	14%	10%
1-Mar-23	BNP Paribas SA	France	Finance	Paris	FO - Accelerated Bookbuild	\$2.3bn	-2%	-15%	-11%
1-Jun-23	GE HealthCare Technologies Inc	United States	Healthcare	NASDAQ-US	FO - Accelerated Bookbuild	\$2.2bn	0%	N/A	4%
24-May-23	Rakuten Group Inc	Japan	Computers & Electronics	TSE - Prime	FO - Fully Marketed FO - PIPE	\$2.2bn	4%	-14%	-12%
7-Jan-23	China Eastern Airlines Corp Ltd	Mainland China	Transportation	Shanghai Stock Exchange	FO - Cash Placing	\$2.2bn	25%	21%	8%

Source: Capital IQ and Dealogic with PwC analysis

Basis of preparation

- The **Global IPO Watch** analyses IPO and FO trends on a quarterly basis, both at a global and regional level.
- This document includes data derived from data provided under Licence by Dealogic. Dealogic retains and reserves all rights in such Licenced data.
- Only transactions with a minimum of \$5 million money raised have been included.
- Transaction proceeds include the overallotment option (if exercised).
- The data excludes PIPOs and transactions on Over-The-Counter exchanges.
- In case IPOs or FOs take place on two or more exchanges, the full amount of money raised is attributed to all exchanges. The same applies to countries and regions. This does not apply to two exchanges within the same country or two countries within the same region.
- Country indicates the company's country of domicile.
- Industry classification is based on Dealogic classifications.
- Index performance is based on pricing data extracted from Capital IQ.



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