EY Global IPO Trends

2015 Q2

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Building a better working world

Global IPO patterns changing as activity moves to private markets and to Asia

During the second quarter of 2015, global IPO activity maintained the steady pace set during the first three months of the year. By the end of the first half of 2015 (1H15), deal numbers had reached 631 IPOs, a 6% increase on the same period last year. However, at US$103.7b, total capital raised was 13% lower than during the first half of 2014 (1H14). Notably, US and Europe IPO activity have been lackluster in 1H15 and this has impacted global numbers.

Despite this cooling, we do not believe the pattern of IPO activity in 2015 reflects a lack of confidence among deal-makers. Instead, it reflects an ongoing pause for breath while entrepreneurs and company management teams evaluate the broader range of funding options currently available. As we move through to the second half of 2015 (2H15), with the IPO pipeline building, we expect activity to gain momentum.

What we predict for the global IPO market based on first half 2015

Improving economic backdrop will underpin increasing appetite for deal activity

The economic outlook is positive. The International Monetary Fund (IMF) expects the world economy to expand by 3.5% in 2015, although growth prospects across major regions remain uneven. The economic pendulum has swung back in favor of developed economies, with the US resuming growth. Prospects are looking broadly positive in many EMEIA markets although the possibility of a Greek exit from the euro, and possibly the EU, is weighing heavily on Eurozone confidence at the time of writing. Among the BRIC nations (Brazil, Russia, India and China), growth rates in Brazil and Russia continue to be low, but while growth in China has also slowed, it has not had an adverse impact on market activity. Conversely, while the Indian economy remains strong, this has yet to feed through into IPO activity.

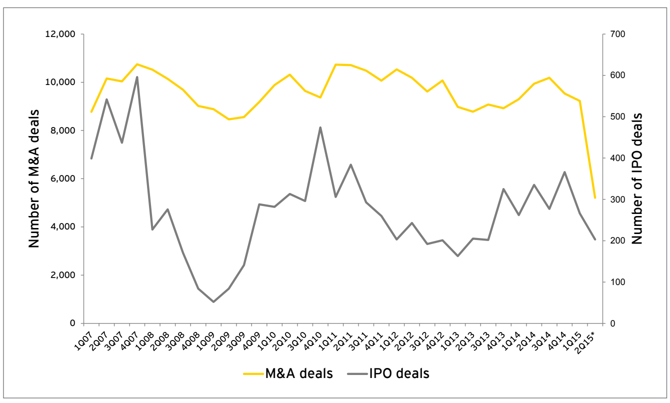
Our own analysis of global corporate sentiment presents an upbeat picture of broadening economic confidence. According to our 12th *Global Capital Confidence Barometer* (CCB),[1] the vast majority of executives (83%) now see the global economy as improving, up strongly from a year ago.

With improved confidence feeding through into an appetite for transactions, IPOs are just one choice among a widening range of options to create and realize value. Mergers and acquisitions (M&A) activity, for example, is surging. According to the CCB, 56% of companies expect to pursue acquisitions in the next 12 months, a five-year high. New entrants are arriving — both start-ups and companies returning to the market after staying on the sidelines for several years — and divergent economic conditions are accelerating cross-border M&A. Meanwhile, disruptive innovation is driving deal-making at every level of the enterprise.

Multitrack strategies will continue to grow in importance

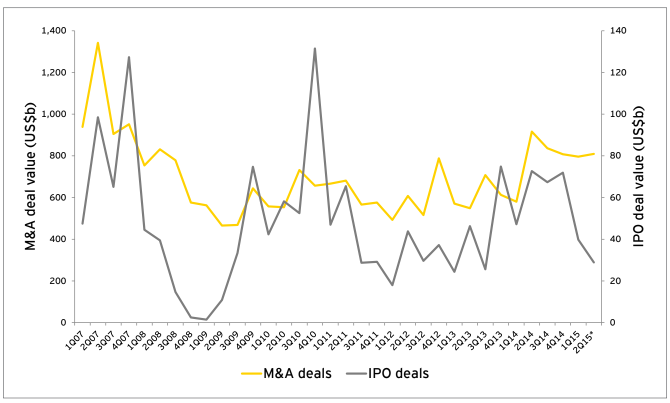
Pursuing a multitrack strategy is an important trend that continues to gain strength. Previously, we have highlighted that in an uncertain market environment, companies will likely keep their options open — assessing M&A alongside an IPO, and evaluating multiple potential exchanges to deliver optimal IPO pricing to shareholders. Now, the rationale for multitrack is much wider. Sources of capital for financing a business have multiplied. Alongside traditional capital markets, alternative private financing markets are operating at scale, and the resurgence of interest in M&A puts acquisitions firmly on the corporate agenda. Significant change is clearly under way, although it is too early to say whether this will be a permanent structural shift in market conditions.

Global IPO and M&A by deal numbers



Note: 2Q15 M&A activity is based on announced M&A deals from April and May 2015, and 2Q15 IPO activity is based on priced IPOs from April and May 2015.

Global IPO and M&A by deal value



Note: 2Q15 M&A activity is based on announced M&A deals from April and May 2015, and 2Q15 IPO activity is based on priced IPOs from April and May 2015.

[1] *Global Capital Confidence Barometer: Innovation, complexity and disruption define the new M&A market*, EY, http://www.ey.com/GL/en/Services/Transactions/EY-capital-confidence-barometer, April 2015.

Companies are leveraging the opportunity to realize value through multitracking. Announcing an IPO can allow a company to gain a sense of pricing and hence, valuation, which can then help crystallize buying interest from potential acquirers or investors.

Wider range of choice will add complexity and slow route to market
An IPO is not an opportunistic investment strategy. Companies will typically plan an IPO two years out, and the ongoing value story as a public company, including potential acquisitions, is part of the preparation process. While companies evaluate their options, the global IPO pipeline continues to build, even as the number and value of IPO transactions steadies.

In addition to potentially lengthening the transaction process, the wider choice of options means that some IPO candidates will ultimately not find their way onto the public markets.

Pursuit of innovation will increase competition for technology companies
The depletion of the pool of VC- and PE-backed businesses looking for a public exit is a particular factor in the technology sector. At the same time, many large corporations are struggling to innovate; they have already examined their innovation portfolios and initiated efficiency programs to drive growth. Acquiring pre-IPO technology companies is one solution to this challenge, even for traditional non-tech businesses.

The combined impact of these drivers is greater competition for technology assets. According to the *CCB*, corporates expect 73% of M&A to be driven by innovative investment.

"Unicorns" will continue to multiply
A further reflection of the high levels of interest in innovation is the continuing growth of "unicorns" — private (often technology) companies worth more than US$1b, of which there are estimated to be more than 110 companies globally according to CB Insights. As of 21 June, CB Insights is tracking 72 companies from the Americas, 21 from Asia-Pacific and 20 from EMEIA. These companies are attracting capital inflows of a size usually associated with the IPOs of later-stage companies from traditional venture capital firms and those who usually invest in public markets, such as hedge funds, mutual funds and banks. This trend is both draining funds that could have been used to support public offerings and also lessening the need for companies to list in order to attract the scale of funding they require.

Valuation gaps will stay closed, signaling a new era for IPOs
The increase in investments into pre-IPO companies has helped narrow the gap between private and public market valuations. Convergence means that it may become harder to get an IPO "pop", as pricing is already more closely aligned. We believe this change may shift the balance in favor of a new kind of IPO, in which companies are bigger, more stable, and with more established business models that deliver the sequential quarterly growth that public market investors expect and reward.

Such a development would be positive for companies and investors. Companies are not as pressed for cash, so they can focus on the other reasons for a public listing: greater transparency, stronger reputation and brand profile, and the potential to access new markets via cross-border listings.

Regulatory change will fuel heightened Chinese activity
In contrast to the broader global picture, IPO activity in Greater China boomed in 1H15, and this trend is set to continue as there are around 550 companies in the CSRC pipeline wanting to list on Greater China exchanges.

Regulatory and structural reforms are continuing, allowing for a more rapid pace of approvals. In addition, the launch of the Shenzhen-Hong Kong Stock Connect, and proposals to revise the Securities Law to allow unprofitable companies to sell shares, should sustain heightened domestic market activity for the foreseeable future. In addition, China is reportedly working on draft changes to the Securities Law regulating listings by foreign companies — a step that would help open up China's market to foreign capital.

IPOs will remain buoyant as confidence grows
Overall, global IPO activity should remain buoyant in 2H15, with a continuing healthy diversification of listing activity across different sectors and geographies. Strong investor confidence in equity markets and robust pipelines across major markets are providing a positive environment for IPO activity globally, and the increasing flow of IPOs from Greater China and the US looks set to underpin a very healthy listing landscape.

Maria Pinelli
Global Vice Chair
Strategic Growth Markets, EY

Global IPO highlights

1H15
(January-June 2015)[2]

Volume and value

631
deals globally
(6% increase on 1H14)

US$103.7b
in capital raised
(13% decrease on 1H14)

Commentary

"Despite the cooling market, we do not believe the pattern of IPO activity in 2015 reflects a widespread lack of confidence among deal-makers. Instead, it reflects an ongoing pause for breath while entrepreneurs and managers evaluate the broad range of funding options currently available. IPOs are currently just one choice among a widening range of options to create and realize value. As M&A activity surges, we will see more companies choosing to keep their options open by pursuing a multitrack strategy assessing mergers, trade sales and the wealth of private funding options alongside more traditional IPO possibilities to deliver optimal value to shareholders."

Maria Pinelli
Global Vice Chair, Strategic Growth Markets, EY

Rapid growth vs. developed

Rapid-growth markets represent 57% of global IPO volume in 1H15.

Financial investors dominate

PE and VC account for 19% of global IPOs (123 deals)

32% by proceeds (US$32.7b)

Three sectors trending

Industrials	Health care	Technology
119 deals	97 deals	94 deals
(US$19.4b)	(US$8.3b)	(US$10.2b)

Confidence continues to grow

VIX

2Q15 saw the VIX® continue to move downward toward a pre-crisis level, signaling increased investor confidence and liquidity.

There were 35 withdrawn and postponed deals in 2Q15, lower than the 38 deals in 2Q14.

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

93% of IPOs priced within or above expectations.[3]

Asia-Pacific tops the leaderboard

US 19%

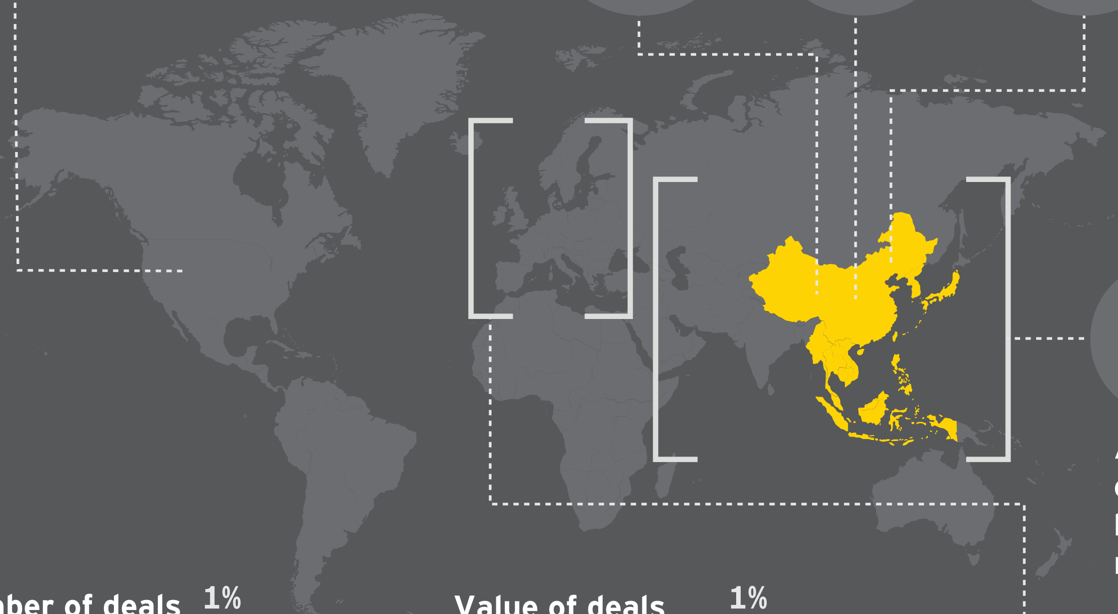
US exchanges ranked third by global funds raised.

Top three deals in 2Q15[4]

China US$4.8b Guotai Junan Securities Co. Ltd.[4]

China US$4.5b Huatai Securities Co. Ltd.

China US$4.1b GF Securities Co. Ltd.



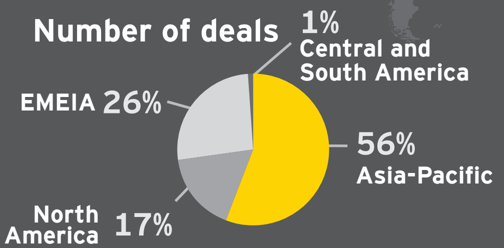
Asia-Pacific 47%

Asia-Pacific exchanges led by global funds raised.

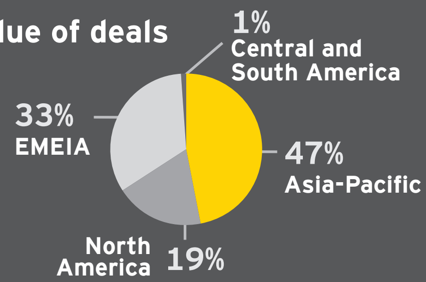
Europe 30%

European exchanges ranked second by global funds raised.

Number of deals



Value of deals



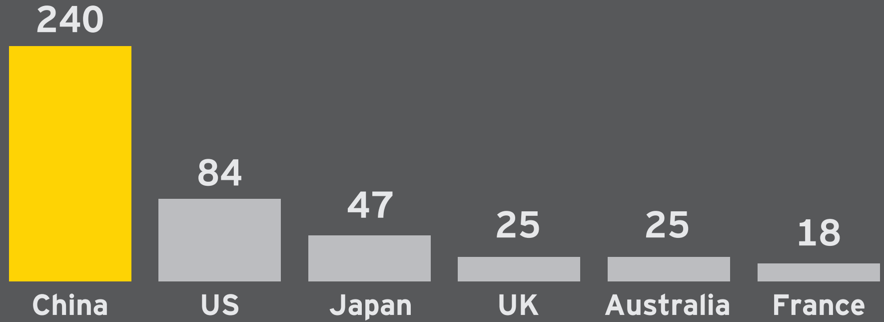
Top six exchanges by funds raised

SSE	HKEx	NYSE	BME	SZSE	NASDAQ
Shanghai	Hong Kong	New York	Madrid	Shenzhen	NASDAQ
US$16.6b	US$16.0b	US$12.5b	US$8.4b	US$7.0b	US$6.9b
(78 deals)	(31 deals)	(36 deals)	(5 deals)	(112 deals)	(65 deals)

Home and away

Cross-border listings were 8% of global IPOs in 1H15 as compared to 10% in 1H14.

Top six countries by deal volume[5]



2. 1H15 (January–June 2015) IPO activity is based on priced IPOs as of 16 June and expected IPOs by end of June.
3. Focus on open-price IPOs with deal value above US$50m.
4. As of 16 June, Guotai Junan Securities Co. Ltd. was expected to raise US$4.8b. On 17 June, the company priced its IPO with proceeds of US$4.9b.
5. Based on the listed company domicile nation.

US IPO pipeline points to pickup in activity

In the first half of 2015, US IPO activity has not matched the pace of 2014, which was the busiest year since 2000. The rush to take advantage of favorable market conditions and complete transactions by the end of the year depleted the IPO pipeline. However, this is now refilling from a broad spectrum of sectors, suggesting that activity is set to rise in 2H15.

- During the first two quarters, the US saw 101 IPOs raise proceeds of US$19.5b, compared with 158 deals with a value of US$35.4b in the same period last year.
- US exchanges dropped down the global leaderboard with the NASDAQ falling to third place by number of deals and the NYSE dropping to fourth, compared with their respective rankings of first and second in the full year of 2014.
- US exchanges produced two top 20 global deals in the first half: the IPO of power and utilities company Tallgrass Energy GP LP, which raised US$1.4b in May, and the Columbia Pipeline Partners LP IPO, which raised US$1.2b in February.
- Financial sponsors continue to feature prominently in the US IPO landscape, accounting for 64% by deal number and 59% by deal value.

Improving economic fundamentals bolstering market confidence

The US economy is picking up steam again after almost coming to a halt in 1Q15. Real GDP growth expanded by a meager 0.2% (annualized) in 1Q15, markedly below the 2.2% growth seen in 4Q14, as extremely harsh weather conditions exerted a drag on business investment, exports and consumer spending. However, recent improvements in high-frequency indicators, including a strong April payrolls report, retail sales and manufacturing activity, suggest the economy is bouncing back.

The prospect of US monetary tightening is a background concern. Uncertainty remains on the exact timing of the first interest rate rise, which the Federal Reserve has linked to the strength of the incoming economic data, but policy action is expected only in late 2015 or early 2016.

Health care still strong, and energy will bounce back

The health care sector, which accounted for the largest proportion of deals by volume in 2014, has been most active in 2Q15, with an influx of many small deals. There is also a significant backlog of VC- and PE-backed deals that are ready for an exit, keeping the pipeline full.

By contrast, IPO activity in the technology sector has slowed dramatically. In 2014, 47 technology companies completed an IPO; so far this year there have been 15. The energy sector has also performed poorly in terms of numbers: 29 IPOs in 2014 compared with just 7 this year.

Causes for the slowdown in energy IPOs include the falling oil price in late 2014 and 1Q15, which had a negative impact on activity in the sector and on investor sentiment. During 2Q15, oil prices have partly recovered, which should stabilize sector sentiment and boost other sectors.

Fierce competition for technology companies

Lower activity in the technology sector can be partly explained by the ongoing shift in the nature of financial sponsorship although it is too early to say the changes are permanent. VC is increasingly willing to provide more substantial funding at a later point in a company's development. VC and PE financial sponsors also face competition from investors who usually invest in public markets, such as hedge funds, mutual funds and banks.

Traditional non-technology corporates, too, are increasingly interested in acquiring pre-IPO tech businesses for innovation in their pursuit of growth. The high level of interest to invest in and acquire technology businesses, combined with the far wider range of funding choices available to companies, is depleting the pool of VC- and PE-backed businesses looking for a public exit.

However, while in the short term, this may reduce the flow of IPOs at the margin, for the longer term, we view this development of a broader funding ecosystem as a positive for both companies and investors.

IPO activity likely to increase in the second half

US IPO activity is expected to rise into 2H15, with a robust pipeline, strong investor confidence and improving economic fundamentals. IPO returns continue to outperform the S&P 500 Index in the first six months of 2015, and market volatility has declined. The tech-heavy NASDAQ Composite has reached levels not seen since the dot-com bubble 15 years ago, but valuations of leading technology public companies on US exchanges are far more restrained than at that peak.

Cross-border IPOs will continue to be a significant component of US IPO activity as overseas companies remain attracted by the strength and capital accessibility of the US markets. The JOBS Act is likely to continue to drive a significant portion of IPO activity, especially for IPOs with smaller proceeds, as emerging growth companies take advantage of the "test the waters" and confidentiality provisions of the act to access the primary market.

US IPO highlights

1H15

(January–June 2015)[6]

Volume and value

101 deals
(36% decrease on 1H14)

US$19.5b
in capital raised
(45% decrease on 1H14)

Key trends

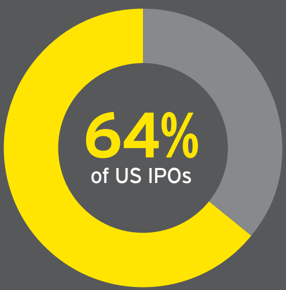
- Multitrack strategies are becoming increasingly prominent as companies exploit the range of choices available among IPO, M&A and private capital that characterize the current buoyant funding environment.
- PE- and VC-backed businesses will continue to feed the IPO pipeline but may wait longer for exits. Companies are taking advantage of the vibrant capital environment to defer public listings until a later stage of development when they are better placed to deliver consistent performance for investors.
- The strength and appeal of the US market will continue to attract a good flow of cross-border listings.

Commentary

"In the first half of 2015, US IPO activity has not matched the pace of 2014 – the busiest year since 2000. There is no doubt that the growing appetite for and availability of private financing is having an impact on the flow of IPOs, especially in the technology sector, as investors look for returns in innovative businesses. However, the pipeline is refilling across a range of sectors, we are seeing strong activity in the second half of June and we expect activity to maintain good momentum in 2H15."

Jackie Kelley
Americas IPO Leader, EY

Financial sponsors drive US IPO market



PE and VC account for 64% of US IPOs (65 deals)

59% by proceeds (US$11.3b)

Three sectors trending

Health care	Technology	Financials
40 deals	**15 deals**	**9 deals**
(US$3.5b)	(US$3.2b)	(US$0.7b)

IPO pricing and performance[7]

+21.1% first-day average return

+26.2% increase in offer price vs. 16 June

US$358.8m median post-IPO market cap

Equity indices[8]

DJIA	+0.4% ▲
S&P 500	+1.7% ▲
VIX®	-19.8% ▼

IPO activity

	NYSE	NASDAQ
1H15	36 deals (US$12.6b)	65 deals (US$6.9b)
1H14	61 deals (US$21.3b)	97 deals (US$14.1b)

6. 1H15 (January–June 2015) IPO activity is based on priced IPOs as of 16 June and expected IPOs by end of June.
7. Pricing and performance are based on 82 IPOs on NYSE and NASDAQ that have started trading by 16 June. Data as of 16 June.
8. Year-to-date returns of equity indices as of 16 June.

Cross-border activity in 1H15 from

Europe **9 deals** (US$1.3b)
Israel **5 deals** (US$289m)
Greater China **4 deals** (US$178m)

→ US

New registrations

2Q15	**56 deals**, US$7.3b
2Q14	**118 deals**, US$44.3b

Asia-Pacific is the standout region in 2015

Through the first half of 2015, Asia-Pacific saw more IPOs (355) and capital raised (US$48.4b) than any other region. The number of deals was up 66% on the same period last year and proceeds rose 48%. With both metrics also up from 1Q15 to 2Q15 — by 41% and 135%, respectively — the outlook for the remainder of the year is very positive.

- Asia-Pacific accounts for 56% of the number of IPOs worldwide in the first half of the year and 47% of capital raised.
- Six of the top 10 IPOs worldwide in 2015 involved companies from Asia-Pacific.
- Deal activity in the region is spread across a range of countries and sectors.

Japan remains on course for a positive year
Investor confidence in Japan is buoyant. Companies are performing well, and the Nikkei 225 rose 17% between the start of 2015 and 15 June. Capital has been flowing into the Japanese stock market as the Government Pension Investment Fund and the Bank of Japan continue to buy equities. Prime Minister Abe's economic policies, "Abenomics," have also boosted confidence in the country's economic outlook. Holdings by foreign investors increased due to positive equity performance and favorable currency.

Japan has seen an active first half of the year in terms of IPOs, with 46 total — 23 in the first quarter and 23 in the second. The majority of these have been smaller deals on the junior exchanges, with only eight IPOs on the Tokyo Mainboard.

The plans announced in March by the Tokyo Stock Exchange regarding stricter screening measures for companies wishing to list should not have a significant impact on deal flow. Pipeline figures suggest the total number of IPOs for the year will reach around 90. This should include the privatization of state-owned Japan Post, which could raise up to US$36b. There may also be a number of cross-border listings of Japanese companies in the future; our research indicates that 5 to 10 companies are currently considering listing on the US markets.

ASEAN builds momentum
IPO activity has remained tepid in most markets within ASEAN in the first half of 2015 due to concerns over global economic growth, depressed commodity prices and the depreciation of emerging markets currencies against the US dollar. However, more companies came to market in the second quarter, particularly in Thailand and Malaysia. In 2Q15, we saw 20 IPOs raising US$2.3b, compared to 12 IPOs raising US$2.5b in 1Q15.

We expect more IPOs in the second half of 2015, with companies waiting for the right window to come to market and cash-rich investors still looking for returns. PE- and VC-backed IPOs will continue to be the mainstay of the market, given the need for financial sponsors to find an exit strategy, although we have observed more trade sales as an alternative. There may also be an uptick in cross-border listings in coming months as local exchanges, especially Singapore Exchange, have been robustly targeting cross border issuers. An increasing number of technologyand digital e-commerce companies are also looking at a filing in the US.

Australia IPO activity rose in 2Q15
Activity in Australia rose in the second quarter compared to a quieter first quarter, with 30 IPOs raising US$1.8b in the first half of 2015. Expansion capital and succession planning for private companies are key drivers of IPO activity. Pricing remains firm, and we continue to see strong appetite from institutions as well as retail investors. A number of companies have delayed their IPO schedule to take further time to get the business ready for the public markets. This may reflect the broader global trend of increased M&A and private finance.

The number of PE-backed deals has dropped, but there remains a significant number of PE-owned businesses getting ready to come to market or running multitrack processes, and we expect the number of exits to increase in the coming months.

In terms of activity by industry, high technology, real estate, financial services and consumer products businesses continue to list, while health care also remains a strong sector. Resources and resource services businesses are still being adversely impacted by the commodity price cycle, even although there has been a significant rise in the number of reverse-takeover listings via pre-existing, listed exploratory resources companies.

With a strong pipeline of companies getting ready to list, we expect more IPOs on the Australian Securities Exchange this year. These will be mainly domestic listings, although there is an ongoing flow of cross-border listings by Asian businesses. In selected sectors, such as high technology, biotechnology and pharmaceuticals, we may see some Australian companies considering listing on the US markets.

Asia-Pacific IPO highlights

1H15

(January–June 2015)[9]

Volume and value

355 deals
(66% increase on 1H14)

US$48.4b
in capital raised
(48% increase on 1H14)

Key trends

IPO markets

- Five of the 10 most active exchanges by deal volume in 1H15 are in Asia-Pacific – and this trend looks set to continue.
- Further market reform in China is expected to drive IPO volumes higher.
- The IPO market in ASEAN and Oceania picked up in 2Q15, with more expected in 2H15.

Commentary

"Strong capital markets and positive market sentiment are driving activity in Greater China, and as new regulations open up Mainland China's markets, we expect the number of IPOs to reach an all-time high by the end of the year. With Japan also on course to see a record number of new listings in 2015 and momentum building on ASEAN exchanges, the breadth of investment opportunities in Asia-Pacific is unprecedented."

Ringo Choi
Asia-Pacific IPO Leader, EY

Top five exchanges by funds raised

SSE	HKEx	SZSE	SET	ASX
Shanghai	Hong Kong	Shenzhen[10]	Thailand	Australian
US$16.6b	US$16.0b	US$7.0b	US$3.0b	US1.8b
(78 deals)	(31 deals)	(112 deals)	(11 deals)	(30 deals)

Six sectors trending

Industrials	Technology	Materials	Health care	Consumer products	Energy
79 deals	61 deals	43 deals	33 deals	30 deals	24 deals
US$4.4b	US$5.3b	US$3.7b	US$3.3b	US$2.2b	US$5.2b

IPO pricing and performance[11]

+30.4% first-day average return

+195.3% increase in offer price vs. 16 June

US$180.0m median post-IPO market cap

Equity indices[12]

HANG SENG	+13.8% ▲	FTSE STRAITS TIMES	-1.2% ▼
SHANGHAI COMP	+56.5% ▲		
NIKKEI 225	+16.8% ▲	ASX 200	+2.4% ▲

Cross-border IPOs

China issuers had **4 deals** that raised US$178m in total on US exchanges.

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

ASX saw **6 deals, one deal each** from US, New Zealand, Singapore, Malaysia, China and Indonesia.

9. 1H15 (January–June 2015) IPO activity is based on priced IPOs as of 16 June and expected IPOs by end of June.
10. Shenzhen Stock Exchange includes IPO listings from the Main Board, SME Board and ChiNext.
11. Pricing and performance are based on 298 IPOs on Asia-Pacific exchanges that have started trading by 16 June. Data as of 16 June.
12. Year-to-date returns of equity indices as of 16 June.

Strong momentum continues in Greater China

Greater China has seen one of its strongest quarters over the last three years, boosted by bullish capital markets, favorable regulation and increased competitiveness against other global exchanges. Record numbers of deals are matched by record proceeds as Greater China proves itself once again as an IPO powerhouse to be reckoned with. This market is fueled by around 550 companies currently in the CSRC pipeline.

- In 1H15, 239 IPOs raised US$40.0b on Greater China exchanges,[13] up 132% by deal number and 141% by proceeds compared to 1H14.
- In 1H15, Greater China exchanges accounted for 38% of global IPOs by number of deals and 38% by capital raised.
- The Shenzhen and Shanghai exchanges ranked first and second in the world in 1H15 by number of deals.
- The IPO listing of Guotai Junan Securities Co. Ltd.[14] is expected on Shanghai Stock Exchange on 26 June with IPO proceeds of US$4.9b. When completed, this deal would become the largest IPO globally so far this year. This deal would also become the third largest IPO on Shanghai Stock Exchange since 2008, behind the US$22.1b IPO of Agricultural Bank of China in 2010 and the US$7.3b IPO of China State Construction Engineering Corp. Ltd. in 2009.

IPOs performing by volume and proceeds
Mainland China exchanges saw a total of 120 IPOs in 2Q15, bringing the total number of IPOs in 1H15 to 190, raising US$23.6b, far exceeding the entirety of 2014 by both deal number and proceeds. After a relatively slow start to 2015, activity in Hong Kong Main Market has also picked up, with 31 IPOs raising US$16.0b in the first half of the year. Across the region, high volumes have been supported by deal size, with Greater China exchanges hosting all three of the largest deals globally for the quarter.

Regulation and market reform
Mainland China's increasingly positive IPO environment can largely be credited to a swath of market reforms and favorable government monetary policy aimed at supporting the economy and liberalizing China's markets. In Hong Kong, this and the expectations of mainland capital market reform, the Shanghai-Hong Kong Stock Connect program (launched in November 2014) and the upcoming Shenzhen-Hong Kong Stock Connect program have all supported a positive IPO environment and made 1H15 the strongest first half for IPO performance since 1H11 in terms of fundraising.

On the mainland, the Government has adopted various measures, including the lowering of interest rates and a lower reserve requirement ratio for banks, that have created a bullish capital market. The Shanghai Stock Exchange Composite Index has risen over 57%, and the Shenzhen Stock Exchange Composite Index is up over 117% this year so far.

In addition to strengthening integration with Hong Kong, the Shanghai Stock Exchange, China Financial Futures Exchange and Deutsche Börse have also agreed on a program of strategic cooperation in which they will launch a joint venture to develop financial instruments based on Chinese underlying securities and market them to international investors outside mainland China.

Investor confidence buoyed
Investor confidence in mainland China remains very strong as investors continue to see robust short- and long-term returns on IPO shares. In 2Q15, all IPOs have risen by the maximum 44% allowed on the first day of trading.

A bullish capital market and positive policy environment, courtesy of Chinese Government reforms, have also given investor confidence in Hong Kong a strong boost, which is clearly visible in the pricing of new IPOs. In 1Q15, just 32% of IPOs issued in the upper pricing range, while that figure has risen to 73% in 2Q15.

Industrials lead the way
On mainland exchanges, the industrials sector continues to dominate, ranked first by deal volume and second by proceeds. This trend is set to continue, especially as in May, China's State Council unveiled a 10-year "Made in China 2025" plan for upgrading the nation's manufacturing capacity to catch up with production powerhouses such the US, Germany and Japan and fend off competition from other developing countries.

In Hong Kong, the industry mix is broader. Technology, media and telecoms (TMT) companies delivered the highest volume of deals in 2Q15. However, TMT was dwarfed by the listing of three US$4b-plus IPOs of mainland securities companies, which saw the financials sector claim the top spot in terms of proceeds.

Staying at home
This year is seeing a radical shift in cross-border listings, with Chinese companies from all sectors choosing to list on domestic exchanges rather than going further afield. The Chinese Government actively encourages technology companies to go public on the A-share market, and the Shanghai Stock Exchange is on track to launch a new market, "Board of Strategic Emerging Industries," to attract high-growth companies. Such measures, coupled with the globally competitive performance of technology companies listing on the A-share market, have meant that even Chinese internet companies that may in the past have considered tapping the US investor pool are now considering listing on domestic markets. In 2Q15, just three Chinese IPOs listed on US exchanges, a dramatic contrast to the 10 IPOs in 2Q14, which raised US$3.5b.

Outlook for 2H15 remains extremely positive
We expect China will continue to play a leading role in the global IPO market, with more mega IPOs to come, both in Hong Kong and the mainland, especially in the financials sector. The China Securities Regulatory Commission (CSRC) has accelerated the speed of IPOs in the first half of 2015 and will allow more companies to list in the second half of 2015 so as to clear the IPO pipeline ahead of the new registration system.

This new system, one of the most important legislative plans for China this year, will involve the revision of the Securities Law via a comprehensive overhaul compared to previous revisions. The National People's Congress began reviewing amendments to the law in April, paving the way for the CSRC to switch to a US-style registration-based system toward the end of 2015 or the beginning of 2016.

[13] During 1H15, the total IPO activity on Greater China exchanges consisted of IPOs on Hong Kong Main Market (31 IPOs, US$16.0b); Hong Kong Growth Enterprise Market (14 IPOs, US$190m); Shanghai Stock Exchange (78 IPOs, US$16.6b); Shenzhen Stock Exchange – the Mainboard, the SME board and ChiNext (112 IPOs, US$7.0b); and Taiwan Stock Exchange (4 IPOs, US$190m).

[14] As of 16 June (when data was finalized), Guotai Junan Securities Co. Ltd. was expected to raise US$4.8b. On 17 June, the company priced its IPO with proceeds of US$4.9b.

Greater China IPO highlights

1H15

(January–June 2015)[15]

Volume and value

Hong Kong Main Market **31 deals** (18% decrease on 1H14)	**Hong Kong Main Market** **US$16.0b** (53% increase on 1H14)
Shanghai **78 deals** (1,014% increase on 1H14)	**Shanghai** **US$16.6b** (729% increase on 1H14)
Shenzhen **112 deals**[16] (149% increase on 1H14)	**Shenzhen** **US$7.0b**[16] (84% increase on 1H14)

Key trends

- The number of deals in Greater China continues to grow, increasing every quarter for the last four quarters.
- The listing of China National Nuclear Power Co. Ltd. for US$2.2b has helped catapult the energy and power sector into the ranks of traditionally strong sectors in Greater China, which include industrials, TMT and financials.
- Regulation will continue to drive the IPO environment, opening up China's markets to both domestic and international investors.

Commentary

"The Greater China IPO market is set to have a rewarding year, with the Hong Kong, Shanghai and Shenzhen exchanges dominating the global leaderboard of exchanges by IPO proceeds. This trend, driven by strong capital markets, abundant liquidity and positive market sentiment, is expected to continue and will see Greater China finish the year at an all-time high. Looking forward, increasing regional investment also promises to further boost IPO activity."

Terence Ho
Greater China IPO Leader, EY

Six sectors trending

Industrials	66 deals	(US$4.1b)
Materials	37 deals	(US$3.5b)
Technology	34 deals	(US$4.2b)
Health care	22 deals	(US$2.7b)
Consumer products	19 deals	(US$1.8b)
Consumer staples	18 deals	(US$1.6b)

IPO pricing and performance[17]

Hong Kong Main Market

+15.6% first-day average return

+19.1% increase in offer price vs. 16 June

US$182.0m median post-IPO market cap

Shanghai and Shenzhen

+41.0% first-day average return

+353.9% increase in offer price vs. 16 June

US$246.4m median post-IPO market cap

Equity indices[18]

HANG SENG	+13.8% ▲
SHANGHAI COMP	+56.5% ▲
SHENZHEN COMP	+117.1% ▲

Mainland China's IPO pipeline

37% are expected to be PE- or VC-backed.

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

Around 550 companies are in the CSRC pipeline.

15. 1H15 (January–June 2015) IPO activity is based on priced IPOs as of 16 June and expected IPOs by end of June.
16. Shenzhen Stock Exchange includes IPO listings from the Main Board, SME Board and ChiNext.
17. Pricing and performance are based on 25 IPOs on Hong Kong Main Market and 165 IPOs on Shanghai and Shenzhen Stock Exchanges that have started trading by 16 June. Data as of 16 June.
18. Year-to-date returns of equity indices as of 16 June.

EMEIA at a crossroads moving into 2H15

Following a very strong 1Q15 in which the region led the world in terms of capital raising, IPO activity fell back in 2Q15, meaning that overall, 1H15 was somewhat subdued. Rising volatility, mixed economic conditions and elections live or pending in seven countries in Europe[18] were the primary factors impacting 1H15 activity, which saw the region generate proceeds of US$34.7b from 165 IPOs. Although IPO activity was stronger than 2H14, it was 29% lower by proceeds and 24% lower by number of deals compared to 1H14.

- EMEIA exchanges ranked second by deal number and proceeds after Asia-Pacific exchanges. EMEIA exchanges hosted 4 of the global top 10 deals and 8 of the top 20 deals in 1H15.
- 99% of IPOs on EMEIA Main Market (that were priced by 17 June) priced within or above initial filing range. These delivered on average a 12.7% first-day "pop" and 22.8% increase in offer price versus closing price as at end of 16 June.
- The proportion of cross-border deals by EMEIA companies was 12.1% in 1H15, slightly higher than the 11.5% recorded in the same period last year.

European IPO activity is slowing as we move into the second half of 2015, even as equity markets continued to strengthen thanks to quantitative easing (QE) efforts by the European Central Bank (ECB) and a broadly positive reporting season. Concerns over the potential Greek exit from the EU and the potential for further Ukraine conflict are some of the factors that make it difficult to make firm predictions about future levels of market activity. There is a growing pipeline of IPO candidates waiting in the wings for improved market stability, but we would not anticipate an uptick an activity in 3Q14 — traditionally one of the quietest quarters. The completion of elections in certain countries, in particular the UK, should provide a boost to activity in those markets, as will the relatively weak euro against the US dollar or Chinese renminbi or Japanese yen, which may support opportunistic inward investment.

IPO activity was modest in 1H15 across the Middle East and North and South Africa compared to the second half of 2014, in part due to uncertainty over oil prices, which are only now beginning to stabilize, and broader economic and security concerns. However, Africa may experience improved performance through 2H15 if all the companies that have announced plans to list follow through. Likewise, India's improving economic performance and heightened business confidence after the election are also expected to translate into a stronger IPO pipeline for the second half of 2015.

Four EMEIA exchanges among top 10 global exchanges by proceeds

In 1H15, three EMEIA stock exchanges were among the top 10 globally by deal numbers, while four were among the top 10 by capital raised.

London's Main Market and AIM continue to lead EMEIA activity by deal number, but IPO activity on the UK exchange was quieter in 2Q15, causing the exchange to be ranked globally lower than in 1Q15. Euronext and NASDAQ OMX exchanges were ranked 9th and 10th by deal number in 1H15.

By capital raised in 1H15, Bolsa de Madrid ranked fourth, London Main Market and AIM ranked seventh, and Euronext and NASDAQ OMX were ranked eighth and ninth, respectively.

Sector appetite remains broad

IPOs continued to come from a range of sectors, with industrials taking the lead by proceeds in 1H15 (raising US$12.8b via 32 IPOs, accounting for 37% of deal value and 19% of deal numbers), followed by telecommunications (US$5.8b via 5 IPOs) and consumer products (US$5.3b via 23 IPOs). The lead sectors by number of deals were industrials, consumer products and health care.

The biggest deal this quarter (US$2.4b) was the Spanish IPO of wireless telecommunications and broadcasting operator Cellnex Telecom SAU, which saw shares jump as much as 10% in their first trading day in Madrid as investors bet on rising demand for infrastructure enabling wireless calling and web browsing. Infrastrutture Wireless Italiane, another telecom tower operator, was the fourth-largest EMEIA IPO in 2Q15 (US$875m). The second-largest IPO in 2Q15 was PE-backed: French electrical and mechanical engineering services group SPIE SA (raising US$1.0b). The third-largest IPO is also PE-backed: French car rental company Europcar Groupe SA (with expected proceeds of US$1.0b), to be completed toward the end of June.

IPO coming under threat as the preferred exit route for financial sponsors

With the performance of the main European indices supporting higher valuations and financial sponsors keen to realize value from PE- and VC-backed investments, IPOs were a relatively attractive exit route over 1H15. Financial-sponsor-backed IPOs raised US$17.2b from 43 IPOs, accounting for 49% of proceeds and 26% of deals by number.

However, the high-level numbers reveal a stark contrast between the two quarters. In 2Q15, financial-sponsor-backed IPOs accounted for only 23% of IPOs by number of deals and 37% by proceeds raised, compared to 29% by deal numbers and 59% by proceeds in 1Q15. Although financial sponsors are still driving deals, it is apparent that in EMEIA, as in the US, PE and VC players are taking advantage of the rapidly rising tide of M&A to realize value from their investments and are likely to encourage management teams to embrace multitrack exit strategies as the strongest route to optimal value realization.

We expect financial sponsors to continue to favor technology assets as digital developments disrupt traditional industries.

Outlook is cloudy

Looking ahead, the economic drivers for European IPOs are somewhat mixed. While the overall picture had been improving, with positive earnings expectations feeding rising equity indices and a low oil-price environment supporting consumer-facing sectors, business and market confidence has dampened due to ongoing speculation about the future of Greece, and consumer confidence may be dented by the likelihood of an oil price recovery. Although the favorable US$/€ exchange rate may spark US and other foreign investors' interest, the political and broader economic uncertainty may provoke a pause for thought.

By contrast, Africa and India may see a higher level of activity on the back of improving business confidence and economic performance.

[18] "Will Europe survive 2015, the year of all elections?" *The Guardian*, http://www.theguardian.com/commentisfree/2014/dec/30/europe-2015-elections-eu-britain, 30 December 2014.

EMEIA IPO highlights

1H15

(January–June 2015)[20]

Volume and value

Main markets:
108 deals
(16% decrease on 1H14)

Junior markets:
57 deals
(35% decrease on 1H14)

Main markets:
proceeds US$33.7b
(28% decrease on 1H14)

Junior markets:
proceeds US$1.0b
(71% decrease on 1H14)

Key trends

Investor confidence

- Strong 2H15 is expected, given improving macroeconomic conditions, rising investor confidence and a solid IPO pipeline, barring major geopolitical issues.
- Companies are likely to embrace a multitrack strategy for capital raising and will have the opportunity to evaluate M&A, private investment and IPO options while the funding ecosystem remains buoyant.
- With many indices across the region still at multi-year or all-time highs, volatility due to geopolitical issues is the key risk that could force sharp equity corrections, denting IPO confidence.

Commentary

"After a slow start to the second quarter, the first half of the year has been subdued compared to same period last year. IPOs are likely to come under increasing scrutiny as an exit option as more companies take advantage of the buoyant M&A and private markets. In addition, a marked increase in volatility due to heightened tensions in Russia and the continued uncertainty surrounding Greece mean that investor confidence is clearly being hit. We will not know what the prospects are for the remainder of the year until this uncertainly reduces, which we would expect to happen as the summer progresses."

Dr. Martin Steinbach
EMEIA IPO Leader, EY

Top five exchanges by funds raised

BME	LSE	Euronext	NASDAQ OMX	SIX
Bolsa de Madrid	Main Market and AIM	Euronext	NASDAQ OMX	Swiss
US$8.4b	US$6.6b	US$5.6b	US$3.6b	US$2.5b
(5 deals)	(35 deals)	(16 deals)	(16 deals)	(1 deal)

Financial sponsors drive EMEIA IPO market

26% of EMEIA IPOs

PE/VC accounted for 26% of EMEIA IPOs (43 deals)

49% by proceeds (US$17.2b)

Three sectors trending

Industrials
32 deals
(US$12.8b)

Consumer products
23 deals
(US$5.3b)

Health care
23 deals
(US$1.4b)

IPO pricing and performance

Main markets[21]

+12.7% first-day average return

+22.8% increase in offer price vs. 16 June

US$612.3m median post-IPO market cap

Junior markets[21]

+7.5% first-day average return

+19.1% increase in offer price vs. 16 June

US$31.4m median post-IPO market cap

Equity indices[22]

FTSE 100	+2.2% ▲	BSE SENS	-3.3% ▼
DAX	+12.0% ▲	JSE All share	+3.1% ▲
CAC40	+12.7% ▲	VSTOXX	+6.3% ▲
MICEX	+18.7% ▲		

Cross-border IPOs

7% of EMEIA issuers are listed on EMEIA exchanges,

and **5%** are listed on US exchanges.

12% of EMEIA issuers conducted cross-border deals.

20. 1H15 (January–June 2015) IPO activity is based on priced IPOs as of 16 June and expected IPOs by end of June.
21 Pricing and performance are based on 85 IPOs on main markets and 52 IPOs on junior markets that have started trading by 16 June. Data as of 16 June.
22. Year-to-date returns of equity indices as of 16 June.

UK markets return to form after election uncertainty

After the successful IPO of challenger bank Shawbrook Group plc at the beginning of April, the early part of 2Q15 was restrained in the run-up to the UK general election. However, the election results were seen as favorable for business, bolstering investor confidence and stability in the capital market. This should set the scene for a strong second half to the year, barring major volatility arising from a possible Greek exit from the euro and the EU. As we enter 2H15, we expect fewer IPO withdrawals and postponements compared to previous quarters and the IPO pipeline to remain strong, despite the ongoing buoyancy in follow-on transactions, mergers, acquisitions and trade sales.

- In 1H15, the London Main Market and AIM hosted 5.5% of global IPOs and 6.4% by global proceeds.
- Globally, the London Main Market and AIM ranked fifth by deal number and seventh in terms of proceeds. They led by deal number among EMEIA exchanges.
- The London Main Market and AIM accounted for 21% of EMEIA IPOs and 19% by capital raised.

London attracts large proportion of cross-border deals in second quarter

Of the 15 companies that listed on UK markets in 2Q15, 47% (7 deals) were internationally based. This represents a departure from recent trends, which have seen UK-headquartered, PE-backed businesses dominating the greater proportion of listings. Of the six IPOs on London Main Market, three came from abroad, while four out of nine IPOs hosted on London AIM in 2Q15 were international. The increased level of non-domestic activity on the UK's markets in 2Q15 gives a clear indication of the strength of London's reputation globally as a reliable venue in which to generate value from an IPO.

Cross-border interest is likely to stay strong into the second half as international issuers remain keen to follow a dependable route in their efforts to raise capital. Investors on the London market have a track record of being prepared to invest in quality international assets, and it is encouraging to see increasing IPO activity from Middle East companies, especially considering the tough economic conditions prevailing in the region. This quarter has witnessed two IPOs from Egypt: the health care business Integrated Diagnostics and food manufacturer Edita Food Industries (which is dual-listed on London and Egyptian exchanges). The former is now trading at a healthy 36% above-offer price.[22]

Financial sponsors remain pre-eminent in the UK market

Financial sponsors backed two of the six IPOs on the London Main Market in 2Q15. Although there were no VC-backed IPOs in 1H15 (in part reflecting the global trend for VCs to put more money into late-stage private investments), PE-backed listings accounted for 37% of IPO deals and 77% by proceeds in 1H15. Eight of the top 10 dealsin 1H15 were PE-backed. Although slightly down on 1Q15 figures (45% of UK IPOs), the proportion of PE-backed IPOs in 2Q15 (27%) remains fairly consistent with levels experienced in previous quarters.

In our view, financial sponsors will remain prominent in the second half of 2015, with investors enthusiastic about the opportunities that high-quality PE-backed businesses offer. With many PE-backed assets building up in the pipeline, the current trend of PE supremacy looks set to continue.

Companies from a variety of sectors perform well

This quarter, a diverse range of sectors is represented across the board, with no single sector dominating. In a period of relatively low activity due to the election, the London exchanges have maintained their broad cross-sector appeal. Those companies that have completed their IPOs have had marked aftermarket success, boosting already solid investor confidence.

IPOs on London Main Market in 2Q15 are currently trading at an average of 22% above initial offering price, lower than current returns of 28% for IPOs completed in 1Q15. IPOs on AIM completed in 2Q15 are at a 11% premium, a fall from the current returns of 37% for IPOs completed in 1Q15. This may suggest that many businesses priced their IPOs with caution ahead of the general election.

IPO activity set to increase on back of wider economic progress

Wider economic conditions are improving, and investor confidence has been given an unexpected boost after May's decisive election result, so we expect IPO activity to intensify throughout 2H15. Added to this, the aftermarket performance of IPOs, both this year and last year, has been solid across the board, a trend that will breathe further optimism into the market. This is not to say that investors will lower their expectations, however.

Savvy management teams are likely to run a multitrack process in order to maximize choice and lock in best value. With levels of M&A activity rebounding to levels not seen since before the global financial crisis, and confidence levels continuing to rise, 2H15 will present plenty of opportunities for well-prepared teams both to raise capital and realize value. Whatever path is chosen, companies will still need to come to market at the right price range, at the right time, and with a compelling equity story and a strong leadership team.

[22] Data as of 16 June. The stock price of Integrated Diagnostics is 36% above the offer price as at end of 16 June.

UK IPO highlights

1H15

(January–June 2015)[24]

Volume and value

London Main Market
16 deals
(52% decrease on 1H14)

London AIM
19 deals
(50% decrease on 1H14)

London Main Market
US$6.1b
(63% decrease on 1H14)

London AIM
US$0.5b
(83% decrease on 1H14)

Key trends

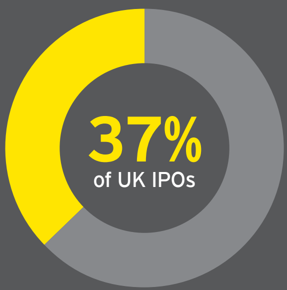
- Although the IPO window in 2Q15 was narrowed by the general election, making a traditionally busy quarter somewhat more restrained, companies that listed performed well.
- London's reputation as a center for international business remains strong. The proportion of cross-border deals rose in 2Q15 to about half of the UK IPOs.
- Aftermarket performance of IPOs has been solid, with current returns outperforming the FTSE 100 by more than 20%.

Commentary

"In 1H15, companies have performed strongly, with Main Market IPOs currently trading at an average of 26% above initial offering price and AIM IPOs at 20%. The diverse range of inbound IPOs shows that London remains an attractive destination for international issuers. The unexpectedly business-positive general election result has boosted confidence, with activity levels already picking up. Activity on the London IPO market is expected to increase over the next 6-12 months. However, with M&A markets also looking healthy, we expect to see more dual-track processes and more choice for well-led companies."

David Vaughan
UK and Ireland IPO Leader, EY

Financial sponsors drive UK IPO market



PE accounted for 37% of UK IPOs (13 deals)

77% of proceeds (US$5.1b)

Three sectors trending

Consumer products
US$1.4b
(9 deals)

Industrials
US$3.3b
(5 deals)

Health care
US$0.5b
(4 deals)

IPO pricing and performance

London Main Market[25]

+8.1% first-day average return

+26.0% increase in offer price vs. 16 June

US$479.6m median post-IPO market cap

Alternative Investment Market[25]

+6.2% first-day average return

+20.0% increase in offer price vs. 16 June

US$75.5m median post-IPO market cap

Equity indices[26]

FTSE 100	+2.2% ▲
FTSE 350	+3.5% ▲
FTSE AIM ALL SHARE	+9.8% ▲

Cross-border activity in 2Q15[27]

Ireland had **1 deal** raising US$446m on the London Main Market.

Egypt[28] had **1 deal** raising US$334m on the London Main Market.

US had **2 deals** raising US$260m on London Main Market and AIM.

Top three IPOs in 2Q15 by capital raised

Cairn Homes plc	Shawbrook Group plc	Integrated Diagnostics Holdings
raised **US$447m** (Ireland, industrials)	raised **US$371m** (UK, financials)	raised **US$334m** (Egypt, health care)

24. 1H15 (January–June 2015) IPO activity is based on priced IPOs as of 16 June and expected IPOs by end of June.
25. Pricing and performance are based on 15 IPOs on London Main Market and 18 IPOs on AIM that have started trading by 16 June. Data as of 16 June.
26. Year-to-date returns of equity indices as of 16 June.
27. There were seven cross-border IPOs on London Main and AIM in 2Q15. The other deals include one each from Barbados (which raised US$97m), Israel (US$41m) and Malaysia (US$25m).
28. This excludes the dual-listing of Egypt's Edita Food Industries on Egyptian and London exchanges as majority of proceeds was raised on Egyptian Stock Exchange.

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Find out more about future IPO prospects

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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Note: Throughout this report, 2015 January to June (1H15 or 2Q15YTD) IPO activity is based on priced IPOs as of 16 June and expected IPOs by end of June. Source of data: Dealogic and EY.