

EY Global IPO Trends

2014 Q2

Global IPO markets show strength and increased stability

After a bumper start to the year with the strongest first quarter since 2011, global IPO activity continued to climb in the second quarter. Deal volume and proceeds reached the midpoint of the year at levels more than 60% higher than at the same time 12 months ago, with expectation of more to come in the second half of 2014.

Stock indices around the world are trending higher, levels of volatility are low and economic indicators are encouraging. Investor confidence has been further bolstered by the predominantly solid aftermarket performance of companies that have gone public and the robust pipeline of IPO-ready businesses, indicating that there will be no shortage of opportunities in the remainder of 2014.

Solid performance across all regions

The story of 2014 so far has been the uptick in IPO activity in almost all major markets. For the first time in more than 10 years, Q2'14 was the third consecutive quarter with more than 70 IPOs on US exchanges, marking a standout first half of the year (H1'14). NYSE and NASDAQ accounted for a combined total of 162 IPOs raising US\$35.0b in capital in H1'14, including seven deals that broke the US\$1b barrier. EMEIA is back with a vengeance. On the main markets, deal numbers are up 97%, and capital raised has increased 243% compared to the first half of 2013 (H1'13). In H1'14, we are seeing high levels of activity in the traditional UK and French hotspots, but this is spreading out to other mainland European exchanges as the economic recovery takes hold.

Meanwhile, Asia-Pacific saw more IPOs in the first half of 2014 than any other region. Four of the 20 largest IPOs in the period took place on Asian exchanges – three IPOs on the Hong Kong Stock Exchange and one on the Tokyo Stock Exchange. The reopening of Mainland China's exchanges to new listings provided a welcomed boost to the region's activity level. With a further 100 Chinese companies now expected to list in this year and deal activity across a range of markets in the region, including Hong Kong, Japan and Australia, the mood is one of optimism for the second half of the year.

Activity across multiple sectors, with financial sponsors a key driver

A look at the top 20 biggest deals of the first half of the year reveals that six different industries are represented: financials, energy, technology, consumer products and services, media and entertainment, and retail. While this highlights investors' willingness to consider opportunities regardless of sector, it also underlines the key role of private equity (PE) and venture capital (VC). Financial sponsor-backed exits in EMEIA have been a critical factor in the resurgence of IPO activity, accounting for 25% of deals by volume and 51% of capital raised in the first half of 2014. In the US, the effect is even more pronounced: PE- and VC-backed listings accounted for 64% of IPOs by number and 81% of proceeds, including nine out of 10 of the largest listings in the period.

Prospects are bright

The second half of 2014 is likely to be characterized by a period of normalization for the global IPO market. All the indicators are that the upward trend in activity is sustainable. However, despite the increase in deals, pricing has come under pressure, suggesting that investors are displaying a savvy and commendable level of caution. They are not prepared to invest in deals that are overvalued, which means that now more than ever those companies that come to market at the right time with the right growth story will attract investor interest only if they are prepared to ask the right price.

Maria Pinelli
Global Vice Chair
Strategic Growth Markets, EY

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**Building a better
working world**

Global IPO highlights

H1'14

(January-June 2014)¹

Volume and value



588

deals globally
(60% increase on H1'14)



US\$117.7b

in capital raised
(67% increase on H1'14)

Commentary

"The IPO market is very strong right now across a number of regions and sectors. Pricing is starting to come under pressure in some markets. Investors are not prepared to invest in deals that are overvalued. Now more than ever, companies that come to market at the right time with the right growth story will attract investor interest only if they are priced right."

Maria Pinelli

Global Vice Chair, Strategic Growth Markets, EY

Developed vs. rapid-growth

Rapid-growth markets represent 42% of global IPO volume in H1'14.



Financial investors dominate



PE- and VC-backed IPOs drive global deal activity.



PE and VC account for 33% of global IPO volume, 64% of US IPOs and 31% of European IPO deal volume in H1'14.

Three sectors trending



Energy

US\$17.6b
(47 deals)



Financials

US\$15.0b
(47 deals)



Technology

US\$14.7b
(78 deals)

Confidence continues to grow



Confidence continues to build as the VIX[®] is now at the lowest level since the start of 2007.



There were 35 withdrawn or postponed deals in Q2'14, the same number as Q2'13.



Rising equity markets are a positive for IPOs – MSCI World Equities Index continues to rise, its level exceeding the last peak at October 2007.



85% of IPOs priced within or above expectations.²

Europe tops the leaderboard³

Top three deals in Q2'14⁴

US
23%

US issuers ranked third by global funds raised.

US\$2.6b
Ally Financial Inc.

US\$2.0b
JD.com

US\$1.8b
B&M European Value Retail SA

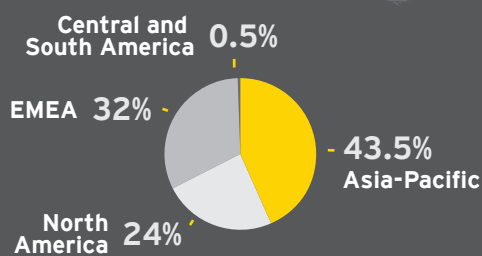
Asia-Pacific
32%

Asia-Pacific issuers ranked second by global funds raised.

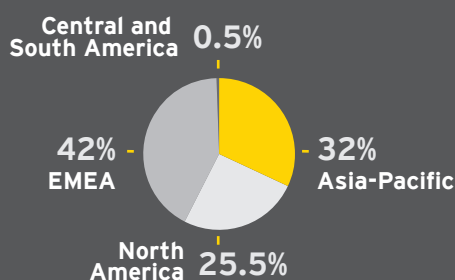
Europe
40%

European issuers led by global funds raised.

Number of deals



Value of deals



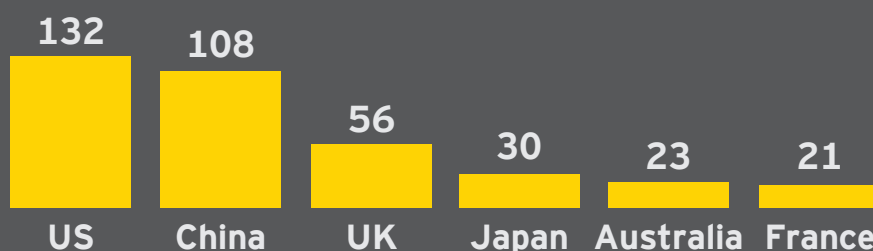
Top six exchanges by funds raised

NYSE	LSE	NASDAQ	HKEx	Euronext	TSE
New York	London	NASDAQ	Hong Kong	Euronext	Tokyo
US\$20.9b (60 deals)	US\$15.4b (32 deals)	US\$14.1b (102 deals)	US\$11.5b (43 deals)	US\$8.6b (19 deals)	US\$6.0b (11 deals)

Home and away
Cross-border listings were 11% of global IPOs compared to 8% in H1'13.



Top six countries by deal volume³



1. H1'14 (January-June 2014) IPO activity is based on priced IPOs as of 17 June and expected IPOs by end of June.
2. Focus on open-price IPOs with deal value above US\$50m.

3. Based on the listed company domicile nation.
4. The top three IPOs shown are those that have been priced by 17 June.



US momentum continues

With stock markets continuing to hit record highs and volatility still subdued, an unprecedented number of companies are seeking to go public. For the first time in more than 10 years, Q2'14 was the third consecutive quarter with more than 70 IPOs on US exchanges, marking a standout first half of the year.

- ▶ The number of deals is 71% higher and proceeds are up 50% on H1'13.
- ▶ US deals accounted for 28% of IPOs by number and 30% by capital raised worldwide in H1'14.
- ▶ Seven IPOs in the US have surpassed the US\$1b mark so far this year.

Investor sentiment is strong but pricing under some pressure

US exchanges again dominated the global IPO market in Q2'14 with deal volume and proceeds around twice that of the London Main Market and AIM – the next most active exchanges. Although average first-day returns for IPOs in Q2'14 were solid at an average of 9.8%, this was down from the first-quarter level of 12.3%. Valuations were also less favorable; 56% of IPOs in Q2'14 were priced within or above their initial filing range, down from 70% in Q1'14, reflecting increased investor caution as to whether the current equity market upward trend will be sustained.

IPOs continue across a range of sectors

Health care and technology are the leading two industries by number of deals, with 63 and 32 IPOs, respectively, in the first half of 2014, followed by energy, financials and consumer products companies. By capital raised, technology, energy and financials top the leader board. Favorable market conditions for financial sponsor-backed exits is the main driver of health care and technology IPOs. In H1'14, almost three out of four health care (45 of 63) and technology (24 of 32) IPOs were either PE- or VC-backed. For financials IPOs, a key driver has been smaller regional financial institutions and insurance companies pursuing opportunities to raise capital, while for the energy sector, listings of oil and gas companies continue to be driven by the limited partners.

Financial sponsor activity significant but slowing

The number of funds raised by both PE- and VC-backed IPOs in the US rose in Q2'14 compared to Q1'14 and Q2'13. As PE and VC investors exit aging investments and clear the backlog of older companies in their portfolios, there may be less urgency to return results for limited partners, while pressure on both valuations and aftermarket performance suggests they will proceed with greater caution. Despite this, in the first half of the year, financial-backed listings accounted for 64% of IPOs in the US by volume and 81% by capital raised, including nine of the 10 largest listings in the period.

Cross-border listings make a comeback

Q2'14 saw a number of cross-border listings. Ten Greater Chinese firms listed on US exchanges, raising US\$3.5b. This compares to one listing each in the prior quarter and in Q2'13. Eight of the 10 Chinese IPOs are technology or internet related. Earlier this quarter, China's regulator announced it would limit IPOs in China to around 100 in the second half of 2014, a move that could encourage more Chinese firms to consider an overseas listing. In addition, there were six cross-border IPOs into the US by European companies in Q2'14, raising US\$2.6b, compared to four raising US\$774m in Q1'14.

Positive outlook tempered by heightened caution

Solid economic fundamentals, resilient stock markets and low volatility, combined with an IPO pipeline of more than 80 companies getting ready to list, suggests deal activity will remain strong in the second half of the year. However, with growing overvaluation concerns, investors will deploy their money more cautiously. A number of IPOs in Q2'14 that exhibited strong aftermarket performance were listed at the lower half of their price range, indicating that companies with appropriate valuations are more likely to receive market acceptance.

US IPO highlights

H1'14

(January-June 2014)⁵

Volume and value



162 deals
(71% increase on H1'14)



US\$35.0b
in capital raised
(50% increase on H1'14)

Key trends



- ▶ US exchanges see their strongest first-half activity in over a decade.
- ▶ Buoyant stock markets and low volatility are bolstering investor confidence.
- ▶ Financial sponsors and cross-border listings are driving activity.

Commentary

"The US IPO market is hot, and a strong pipeline combined with improving economic fundamentals point to sustained activity for the second half of the year. However, growing concerns regarding overvaluations and pressure on aftermarket performance suggest that investors may deploy their money more cautiously going forward. Pricing is coming under greater scrutiny, and companies with appropriate valuations are more likely to receive market acceptance."

Jackie Kelly
Americas IPO Leader, EY

Financial sponsors drive US IPO market

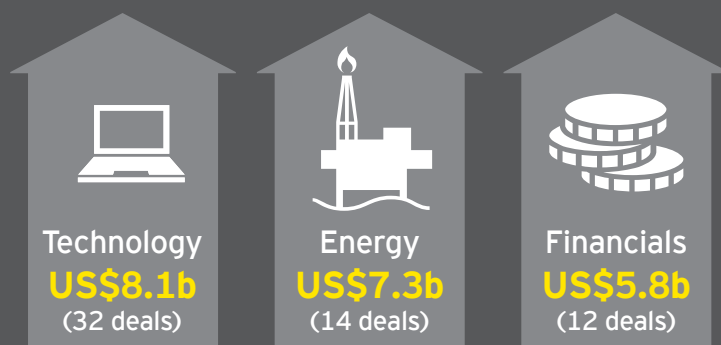


PE and VC account for 64% of US IPOs (104 deals)

81% by proceeds
(US\$28.5b)



Three sectors trending



IPO pricing and performance⁷



+10.5% first-day average return
+18.6% increase in offer price vs. 17 June
US\$358m median post-IPO market cap

Equity indices⁶

DJIA	+1.2% ▲
S&P 500	+4.8% ▲
VIX	-11.1% ▼

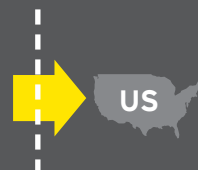
IPO activity



	NYSE	NASDAQ
H1'14	60 deals US\$20.9b	102 deals US\$14.1b
H1'13	47 deals US\$16.9b	47 deals US\$6.4b

Cross-border activity from

Greater China **11 deals** US\$3.9b
Europe **10 deals** US\$3.3b
Israel **3 deals** US\$209m
Other 5 countries **8 deals** US\$758m



New registrations

Q2'14 81 deals, US\$11.4b
Q2'13 73 deals, US\$17.7b



⁵ H1'14 (January-June 2014) IPO activity is based on priced IPOs as of 17 June and expected IPOs by end of June.

⁶ Year-to-date returns of equity indices as at 17 June.

⁷ Pricing and returns are based on 134 IPOs on NYSE and NASDAQ that have been priced and started trading by 17 June. Data as at 17 June.



Asia-Pacific leads by deal volume

The first six months of 2014 has been a tale of two halves for Asia-Pacific. The reopening of Mainland China's exchanges to new listings in January saw a rush of IPOs propel the region to the top of the deal rankings in the first quarter. With approvals again on hold for most of Q2'14, Chinese IPO activity dropped, but activity in other markets, including Hong Kong, Japan and Australia, has resulted in a strong start to the year across the region with the promise of more to come.

- ▶ Asia-Pacific saw more IPOs in the first half of 2014 than any other region.
- ▶ There were 217 IPOs in H1'14, a 64% increase on H1'13 – proceeds were up 45% to US\$33.7b.
- ▶ Four of the 20 largest IPOs in H1'14 were on Asian exchanges – three in Hong Kong and one in Tokyo.

Japan steady but more smaller IPOs expected

The second quarter of the year has historically seen a lull in IPOs in Japan – the period between the fiscal year-end in March and companies' AGMs usually held in June – but Q2'14 saw 18 IPOs raising combined proceeds of US\$1.6b. This included three of the region's top 10 largest deals: Seibu Holdings Inc., Invesco Office J-REIT Inc. and NIPPON REIT Investment Corp.

For H1'14, activity has held steady, with 31 IPOs raising US\$6.5b. This compares to US\$7.8b raised via 26 listings H1'13. As the Nikkei 225 index has trended higher, those companies that have gone public have shown a strong aftermarket performance, albeit in some cases after a dip in first-day closing prices – a phenomenon that was absent throughout 2013. Japanese investors appear to be sector-agnostic, with companies from a range of sectors coming to the public markets. This is a trend that is set to continue for those with a powerful growth story to tell.

Japan is on course to reach a total of around 70-80 IPOs for 2014. Although the country saw one of the world's largest listings so far this year – Japan Display Inc.'s US\$3.1b listing on the Tokyo Stock Exchange in March – most of the megadeals have already been done. RECRUIT Holdings is one sizable company expected to list in H2'14, but we expect more smaller offerings to come to market. In particular, there is likely to be an uptick in PE- and VC-backed IPOs as a result of the ongoing strong market performance.

Australian bright spot

Australia is on track for its best year for IPOs in a decade. Through the first half of 2014, total capital raised reached US\$4.3b via 21 deals, around 4.8 times the level seen in the same period a year ago. Average deal size also rose from US\$44m in H1'13 to US\$203m in H1'14.

Investor confidence is strong as Australia's equity market is trading at all-time highs, buoyed by historically low interest rates. Recently listed companies, like cleaning and catering firm Spotless Group Ltd., which raised US\$930m in May, have also posted positive aftermarket performances. These conditions are making IPOs an increasingly attractive option to sellers rather than a private sale. Private equity firms are especially active as they look to exit aging investments. PE-backed IPOs made up 43% of listings on the Australian Securities Exchange by deal volume and 67% by value in H1'14.

One example of the PE trend is the possible listing of Healthscope Ltd., a hospital owner and operator owned by US private equity giants TPG Capital Management LP and Carlyle Group, with expected proceeds of around US\$3.7b. Government-owned health insurer Medibank Private could raise a similar amount through its planned listing next year.

Positive outlook for Southeast Asia

Southeast Asia saw a comparatively quiet Q2'14. The volatility impacting some equity markets, political uncertainty in Thailand and the impending federal election in Indonesia have caused many investors to adopt something of a holding pattern. In addition, although issuers are gradually coming to terms with the importance of realistic valuations to attract investors, there is still a disconnect in terms of pricing.

Despite these factors, there were a number of significant deals in the first half of the year, including Singapore's PACC Offshore Services Holdings Ltd., Malaysia's IOI properties Group Bhd and Boustead Plantations Bhd, and Kaset Thai International Sugar Corp.

Overall, IPO activity in Southeast Asia is likely to decline slightly in the second half of the year as investor appetite for riskier developing markets assets continues to recede, with more companies looking for greater liquidity in cross-border listings in Hong Kong and the US. Singapore, Malaysia and the Philippines are expected to attract relatively more IPOs than those in Thailand and Indonesia, where economic and political factors will continue to impact investor appetite.

Asia-Pacific IPO highlights

H1'14

(January-June 2014)⁸

Volume and value



217 deals

64% increase over
H1'14



US\$33.7b

in capital raised
(45% increase over H1'14)

Key trends



- ▶ IPO activity strongly diverges across the different countries in the region.
- ▶ Technology, energy and industrials are the most active sectors by capital raised.
- ▶ Multiple markets set to contribute to an active second half of the year.

Commentary

"Asia-Pacific continues to attract investor interest from around the world. The strength of the region is the diversity of its markets and with a robust pipeline spanning markets including Mainland China, Hong Kong, Japan and Australia, we expect significant levels of IPO activity through the remainder of the year. However, the IPO outlook for the next six months is expected to be more volatile, continuing to be fueled by individual countries' dynamics and sentiment across the region."

Ringo Choi
Asia-Pacific IPO Leader, EY

Top five exchanges by funds raised

HKEx

Hong Kong

US\$11.5b

(43 deals)

TSE

Tokyo

US\$6.0b

(11 deals)

ASX

Australia

US\$4.3b

(21 deals)

SZSE

Shenzhen⁹

US\$3.7b

(46 deals)

SSE

Shanghai

US\$2.2b

(9 deals)

Six sectors trending



Technology

US\$5.5b

(30 deals)



Energy

US\$5.4b

(12 deals)



Industrials

US\$3.9b

(37 deals)



Real estate

US\$3.8b

(18 deals)



Materials

US\$2.9b

(26 deals)



Consumer
staples

US\$2.7b

(20 deals)

IPO pricing and performance¹¹

+5.0%

first-day
average return

+14.9%

increase in offer
price vs. 17 June

US\$235.2m

median post-IPO
market cap

Equity indices¹⁰

HANG SENG

-0.4% ▼

SHANGHAI COMP

-2.3% ▼

NIKKEI 225

-8.1% ▼

**FTSE STRAITS
TIMES**

+3.4% ▲

ASX 200

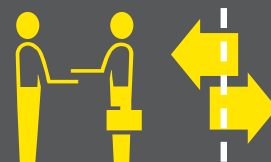
+0.9% ▲

Cross-border IPOs

Greater China issuers had **11 deals** that raised US\$3.9b in total on US exchanges.

Australia had **4 deals** that raised US\$287m in total on London AIM or NASDAQ.

United States had **1 deal** that raised US\$162m on Tokyo Mothers market.



8. H1'14 (January-June 2014) IPO activity is based on priced IPOs as of 17 June and expected IPOs by end of June.

9. Shenzhen Stock Exchange includes IPO listings from the Small and Medium Enterprise (SME) board and ChiNext board.

10. Year-to-date returns of equity indices as at 17 June.

11. Pricing and returns are based on 179 IPOs on Asia-Pacific exchanges that first started trading by 17 June. Data as at 17 June.



Greater China shows solid fundamentals

After a bumper start to 2014, activity has slowed, principally due to the suspension in new listings imposed by the regulator after a wave of IPOs at the beginning of the year. However, activity in Hong Kong remains strong, and a measured approach by the authorities in Mainland China points to a steady, controlled flow of offerings coming to market through the remainder of 2014.

- ▶ Greater China exchanges accounted for 15% of capital raised globally in H1'14 and 18% of the total number of IPOs.
- ▶ On Hong Kong Main Market, there were 43 IPOs raising US\$11.5b, a 187% increase in deal numbers and 130% rise in proceeds in H1'13.
- ▶ Mainland Chinese exchanges raised US\$5.9b through 55 IPOs in H1'14, with a further 100 companies expected to IPO this year.

Temporary hiatus in Mainland China

Following a flood of IPOs in January and February, Mainland China exchanges remained closed to new listings for much of the second quarter. The markets have since reopened with seven IPOs set to raise total proceeds of around US\$394m by the end of June. During this period, a number of Chinese companies looked to list overseas, including two in the second quarter that each raised in excess of US\$1b. E-commerce company JD.com raised US\$2.0b on NASDAQ in Q2'14 in the largest Chinese IPO in the US since 2003, while China CNR Corporation Limited, the state-owned bullet train maker, raised US\$1.2b on the Hong Kong Stock Exchange.

Hong Kong powers ahead

Hong Kong Main Market gave a strong showing in the first half of 2014 compared to the same period last year. Deal numbers in the main market were up 187% with 43 IPOs in the period, and proceeds of US\$11.5b represented a 130% increase in capital raised compared to H1'13. There were a number of large IPOs in H1'14, with the three largest – HK Electric Investments, China CNR Corporation Limited and Harbin Bank – accounting for 31% of the Greater China total funds raised in H1'14.

IPO activity continued to strengthen in Q2'14, with 28 IPOs raising US\$5.6b in total. This compares to US\$5.9b raised through 15 deals Q1'14. However, there is heightened investor caution. So far this year 14 of the 33 IPOs (that started first

trading by 17 June) were priced in the upper range, with eight issued at the top end. Around 30% of main board IPOs have been undersubscribed, and a number of companies have withdrawn plans to go public. However, the majority (23) of IPOs in H1'14 closed first-day trading at or above the offer price.

Watershed year for China

Overall, 2014 will be a transition year for the Mainland China IPO market as the regulatory reforms set in. The pipeline is robust, with around 670 companies ready to go public, but the regulator has indicated that it plans to let about 100 applicants come to market during the second half of the year. We expect companies in the industrials and technology, media and telecoms (TMT) sectors to feature strongly as China's Government continues its efforts to restructure its economy.

However, IPO activity could be tempered due to concerns around sustaining economic growth as companies focus on productivity improvements and on volatility as a result of ongoing economic reforms. Moreover, all those looking to IPO, especially in the technology sector, wait with bated breath for the results of the listing of Chinese e-commerce giant Alibaba, the outcome of which will have a significant impact throughout the region.

We also expect a significant number of small and medium-sized companies to debut in H2'14. Those expecting to raise funds under US\$100m account for 72% of companies that have disclosed their preliminary prospectuses. Regardless of the size of the offerings, investor appetite remains strong for well-priced IPOs, not least due to the positive aftermarket performance seen so far this year.

Increase in Hong Kong IPOs expected

We expect a stronger second half for 2014 in Hong Kong due to a number of positive factors, including improved global liquidity, sustained recovery of European economies and the continued strong performance of the US capital markets. In addition, capital market volatility in China has reduced, and the current strong IPO pipeline suggests a healthy number of deals for the remainder of this year. The financial services, TMT, consumer products and real estate sectors are all likely to see IPO activity and deals coming to market are likely include a mix of number of large transactions as well as some smaller offerings.

Greater China IPO highlights

H1'14

(January-June 2014)¹²

Volume and value



Hong Kong Main Market
43 deals
(187% increase over H1'14)



Shanghai
9 deals¹³



Shenzhen
46 deals¹⁴



Hong Kong Main Market
US\$11.5b
(130% increase over H1'14)



Shanghai
US\$2.2b¹³



Shenzhen
US\$3.7b¹⁴

Key trends



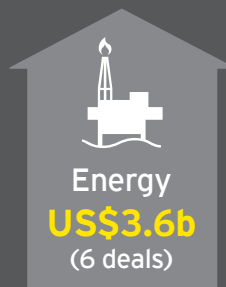
- ▶ Markets saw strong IPO activity in the first six months of 2014, with more IPOs in the first quarter.
- ▶ Activity in both Hong Kong and Mainland China set to increase in second half of 2014.
- ▶ Investors confident on pipeline strength and positive returns.

Commentary

"Greater China is laying the foundations to cement its position as a dominant IPO hotbed for the longterm. Regulatory reform, combined with the controlled, steady approach to approving new listings, is further bolstering investor confidence, which is already high on the back of companies' strong after-performance and the robust pipeline. The stage is set for considerable IPO activity in the second half of the year."

Terence Ho
Greater China IPO Leader, EY

Six sectors trending



IPO pricing and performance¹⁶

Hong Kong Main Market

-0.1% first-day average return

-4.4% decrease in offer price vs. 17 June

US\$306.7m median post-IPO market cap

Shanghai and Shenzhen

+31.7% first-day average return

+22.3% decrease in offer price vs. 17 June

US\$366.7m median post-IPO market cap

Equity indices¹⁵

HANG SENG

-0.4% ▼

SHANGHAI COMP

-2.3% ▼

SHENZHEN COMP

+1.7% ▲



Mainland China's IPO pipeline

43%
are expected to be
PE- or VC-backed.

More than half of companies
are planning to list on the Shenzhen
exchange (SME and ChiNext boards).

670
companies are in
the CSRC pipeline.



IPO pipeline

¹² H1'14 (January-June 2014) IPO activity is based on priced IPOs as of 17 June and expected IPOs by end of June.

¹³ IPO activity on Shanghai and Shenzhen Stock Exchanges was suspended from November 2012 to December 2013.

¹⁴ Shenzhen Stock Exchange includes IPOs on the main board, SME board and ChiNext.

¹⁵ Year-to-date returns of equity indices as at 17 June.

¹⁶ Pricing and returns are based on 23 IPOs on Hong Kong Main Market and 24 IPOs on Shanghai and Shenzhen Stock Exchanges that first started trading by 17 June. Data as at 17 June.



Investors look for opportunity in EMEIA

In Q2'14, the story in EMEIA is very much one of strength and depth. We are seeing high levels of activity in the traditional UK and French hotspots spreading out to other mainland Europe exchanges as the economic recovery takes hold. Listing activity in Middle East and Africa is also looking more optimistic following the successful performance of recent IPOs.

- ▶ The number of deals in EMEIA Main markets is up 97%, and the value of deals is up 243% on H1'13.
- ▶ EMEIA exchanges accounted for 34% of global deals by number and 39% by capital raised in Q2'14.
- ▶ In H1'14, nine of the top 20 deals were on EMEIA exchanges.

EMEIA leads on proceeds in H1'14

EMEIA is the leading IPO region worldwide by value in H1'14, with total proceeds topping US\$46.5b. Across main and junior markets, deal numbers were also up substantially on H1'13. The London Main Market and AIM hosted 32 and 39 IPOs, respectively, raising US\$15.4b and US\$3.1b, together accounting for 12% of global deal volume and 16% of proceeds in H1'14.

Other markets also featured strongly, with the Euronext posting 19 deals raising US\$8.6b, while Bolsa de Madrid, NASDAQ OMX and Borsa Italiana – none of which normally feature among the top 10 global exchanges – hosted five IPOs raising US\$5.6b, 10 deals raising US\$4.3b and 11 IPOs raising US\$2.5b, respectively. Moreover, in June, we saw the IPO of the Euronext NV stock exchange, which raised US\$1.3b on its Paris, Amsterdam and Brussels markets. This is the world's third-largest securities and commodity exchange IPO on record and the largest one within EMEIA.

In the broader EMEIA region, with the flotation of Nigeria's stock exchange and 23 exchanges now open across the continent, the IPO window in Africa is opening wider than ever. In India, junior markets were also very busy, and sentiment overall was buoyed by the recent electoral result.

Returns and pricing holding up well with health care and retail performing strongly

Across the EMEIA region, investors are seeing excellent first-day returns averaging +23.9% on main markets and +13.0% on junior markets. Pricing performance is also strong with over 98% of deals pricing above or within range – suggesting investor confidence for well-prepared IPOs is robust. Health care dominated the region in terms of the number of deals in the first half, but consumer products and retail were the standout sectors in terms of capital raised.

Financial sponsors playing an active part

PE and VC investors remain keen to make the most of buoyant markets. Together they accounted for 25% of IPOs in EMEIA in H1'14, substantially more than in H1'13. They were also well represented in the region's share of the largest deals worldwide – accounting for five of EMEIA's nine listings in the top 20 IPOs by capital raised.

Pipeline looks strong for H2 2014

We expect IPOs in EMEIA to perform well in the second half of 2014, although investors may become more selective in picking up stocks, with certain recent IPOs being canceled or experiencing soft performance. Nevertheless, the pipeline looks strong in several sectors, with retail leading the charge, and a backlog of PE-backed IPOs providing additional support.

In India we expect activity to pick up with activity on the main markets, bouncing back to rival that on the junior markets towards Q4'14. The sale of Indian SOEs is also expected to accelerate as the government dilutes its stake in non-strategic sectors and PE is expected to make the most of improving market sentiment.

Listing activity in the Middle East and North Africa is also looking more optimistic following the successful performance of recent listings such as the Emirates REIT in Dubai and oil and gas firm Seplat in Nigeria.

EMEIA IPO highlights

H1'14

(January-June 2014)¹⁷

Volume and value



Main markets:
116 deals
(97% increase on H1'14)



Junior markets:
86 deals
(69% increase on H1'14)



Main markets:
proceeds US\$40.3b
(243% increase on H1'14)



Junior markets:
proceeds US\$6.1b
(1,990% increase on H1'14)

Key trends



- ▶ Building on a strong Q1, Europe is the primary market worldwide in H1 2014 by value of deals.
- ▶ The Nordics and Italy are joining traditional London and French hotspots as IPO interest broadens.
- ▶ Low volatility, low interest rates and positive economic environment suggest IPO window will remain open into H2.

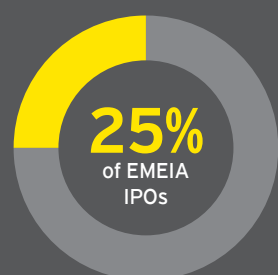
Commentary

"With main equity indices still trending upward, low volatility, a positive economic environment and supportive monetary policy from central banks, the IPO window remains wide open in EMEIA. The main drivers of IPOs are PE and VC businesses looking to realize value from exits, with the health care, industrials, financial and energy sectors in particular showing strongly, together accounting for 48% of total European IPO volumes."

Dr. Martin Steinbach
EMEIA IPO Leader, EY

Top five exchanges by funds raised

LSE	Euronext	Madrid	NASDAQ OMX	AIM
London Main	Euronext	Bolsa de Madrid	NASDAQ OMX	London AIM
US\$15.4b	US\$8.6b	US\$5.6b	US\$4.3b	US\$3.1b
(32 deals)	(19 deals)	(5 deals)	(10 deals)	(39 deals)
Average deal size US\$483m	US\$453m	US\$1.1b	US\$426m	US\$79m



Financial sponsors drive EMEIA IPO market

PE and VC account for 25% of EMEIA IPOs (51 deals)

51% by proceeds
(US\$23.9b)



Three sectors trending

Consumer products and services	Retail	Financials
US\$7.1b	US\$7.0b	US\$6.5b
(16 deals)	(16 deals)	(20 deals)

IPO pricing and performance

Main markets¹⁹

+23.9% first-day average return

+24.0% increase in offer price vs. 17 June

US\$336.8m median post-IPO market cap

Junior markets¹⁹

+13.0% first-day average return

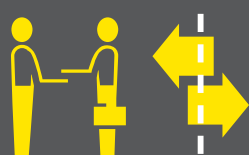
+3.7% increase in offer price vs. 17 June

US\$42.1m median post-IPO market cap

Equity indices¹⁸

FTSE 100	+0.3% ▲	BSE SENS	+20.5% ▲
DAX	+3.9% ▲	JSE All share	+10.1% ▲
CAC40	+5.6% ▲	VSTOXX	-16.9% ▼
MICEX	-6.9% ▼		

Cross-border IPOs



13% of EMEIA IPOs are cross-border deals

by volume and **12%** by funds raised.

London²⁰ hosted **20 deals** that raised US\$3.2b.

17. H1'14 (January-June 2014) IPO activity is based on priced IPOs as of 17 June and expected IPOs by end of June.

18. Year-to-date returns of equity indices as at 17 June.

19. Pricing and returns are based on 83 IPOs on Main Markets and 71 IPOs on Junior Markets that have started trading by 17 June. Data as at 17 June.

20. London Main Market hosted five cross-border IPOs, which raised US\$2.1b in aggregate, while London Alternative Investment Market (AIM) hosted 15 IPOs, which raised US\$1.1b.



UK IPO market taking a breath

There was a view late last year that investor interest could potentially taper for UK IPOs in 2014, given the significant fulfilling of demand in 2013. After a buoyant first quarter, an element of that sentiment is creeping through in Q2'14, with some IPOs being pulled and others not achieving the expected aftermarket performance. We interpret this not as deal fatigue, merely a sign the market is "taking a breath" – demand remains, and not every business can achieve its desired valuation, even in a vibrant market.

- ▶ Deal numbers on the main market are 300% higher and funds raised are up 322%, compared to H1'13.
- ▶ UK deals accounted for 35% of IPOs on EMEA exchanges and 40% by capital raised in H1'14.
- ▶ Three of the global top 20 deals in Q2'14 were from the UK.

The UK is performing well versus its global competitors

The UK saw 32 main market IPOs in the first half of 2014, eclipsing the eight listings that took place in H1'13. In H1'14, the UK remained the second most significant center globally after the US, accounting for 16% of global IPO capital raised. This quarter the UK had two IPOs among the global top 10, AA plc,²¹ a national breakdown consumer service business, and B&M European Value Retail SA, a discount retailer company.

Retail continues to out-sell other sectors

Retail remains the dominant sector in the first half, representing around one quarter of the UK main market listings by deal numbers and 39% by funds raised. Specifically, it is low-cost retailers and those with a strong online presence that have successfully secured a listing. The drivers for this move are two-fold. More consumer purchases than ever before are being made online, and there is increasing demand for value-based retailers like Poundland and B&M European Value Retail SA.

PE is driving activity

In H1'14, 35% of UK IPOs by volume and 70% by proceeds were PE-backed. We believe PE will continue to be a major market participant through to the end of the year. There still appears to be a significant backlog of PE-backed businesses waiting to exit, and investors are continuing to look for the right assets, which are typically those with a strong growth record and a clear strategy going forward.

Outlook for the second half is good

A broad range of companies is expected to come to the market in H1'14. Predominantly they will be domestic and financial sponsor-backed. However, the successful launch of Nigerian company Seplat Petroleum Development – the first natural resources company to IPO in the UK since January 2012 (when Russia's RusPetro plc went public) – has fueled hope that this may be the start of a wave of cross-border listings. We also anticipate that a number of large, high-profile businesses in the pipeline will come to market successfully and that this will help to sustain confidence through the second half of the year.

Whatever the industry or state of investor sentiment, however, we believe that demand will persist for assets that come to market at the right time, with the right price, right team and a strong track record.

²¹The AA plc has completed its IPO on 20th June, with IPO proceeds of US\$2.36b (as of 23rd June).

UK IPO highlights

H1'14

(January-June 2014)²²

Volume and value



London Main Market
32 deals
(300% increase on H1'14)



London AIM
39 deals
(129% increase on H1'14)



London Main Market
US\$15.4b
(322% increase on H1'14)



London AIM
US\$3.1b
(1200% increase on H1'14)

Key trends



- ▶ The UK IPO market is becoming more cautious, but the window is open for quality businesses sensibly priced.
- ▶ PE is a key driver of activity fueled by the twin need to exit investments and generate returns.
- ▶ Cross-border listings are picking up, with Israel and Middle East issuers well represented in the pipeline.

Commentary

"There has been a lot of noise about the state of the UK market and whether it is closing, but good quality businesses, sensibly priced with a strong equity story, will always attract interest. Whether all the PE-backed deals coming to market go all the way to IPO remains to be seen, but the investor appetite is there. On the AIM market, the trend that has seen larger and better quality business coming to market continues strongly."

David Vaughan
UK IPO Leader, EY

Financial sponsors drive UK IPO market

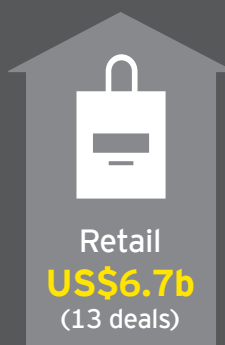


PE and VC account for 35% of UK IPOs (25 deals)

70% by proceeds
(US\$13.0b)



Three sectors trending



IPO pricing and performance

London Main Market²⁴

+3.5% first-day average return
+3.4% increase in offer price vs. 17 June
US\$804m median post-IPO market cap

Alternative Investment Market²⁴

+5.4% first-day average return
+3.7% increase in offer price vs. 17 June
US\$126m median post-IPO market cap

Equity indices²³

FTSE 100	+0.3% ▲
FTSE 350	-0.1% ▼
FTSE AIM ALL SHARE	-7.6% ▼

Cross-border activity in Q2'14 from

Nigeria **1 deal** US\$503m
Georgia **1 deal** US\$239m
Australia **2 deals** US\$196m
Israel **2 deals** US\$153m
Other 6 countries **6 deals** US\$98m



Top three IPOs in Q2'14 by capital raised

AA plc	B&M European Value Retail SA	Saga plc
raised US\$2.4b (UK, Consumer products and services)	raised US\$1.8b (UK, Retail)	raised US\$0.9b (UK, Financials)

²² H1'14 (January-June 2014) IPO activity is based on priced IPOs as of 17 June and expected IPOs by end of June.

²³ Year-to-date returns of equity indices as at 17 June.

²⁴ Pricing and returns are based on 26 IPOs on Main Board and 34 IPOs on AIM that have been priced by 17 June. Data as at 17 June.

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For more information on global IPO performance by quarter and year, and how IPO market looks set to develop in 2014, visit the EY Global IPO Center of Excellence:

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*Throughout this report, 2014 January to June IPO activity is based on priced IPOs as of 17 June and expected IPOs by end of June. Source of data: Dealogic, EY